

DOCUMENT RESUME

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IDENTIFIERS *Project SCAT

ABSTRACT

This unit, one of a series of six Project SCAT (Skills for Consumer Applied Today) units, is designed to help senior high school students develop consumer education skills. For a description of the specific objectives and format of the units, see SO 013 467. This document provides teaching methods, learning activities, and a student booklet for a unit on insurance. Students examine the principles of insurance, and auto, health, life, and homeowners insurance. Students conduct an insurance attitude survey, list risks that most people face every day, invite a local insurance agent to speak, examine sample insurance policies, compare rates for similar coverage, discuss reasons for cancellation of automobile policies, debate the moral responsibility of owning life insurance, discuss Medicare and Medicaid, debate the need for a national health insurance plan, and prepare inventories of household items. A pre- and posttest and reproducible graphics are included. The student booklet contains relevant vocabulary, readings, and worksheets. (KC)

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MONEY MANAGEMENT AND THE CONSUMER

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INFORMATION CENTER (ERIC)."

INSURANCE:

"It's Later Than You Think"

Skills for Consumers Applied Today

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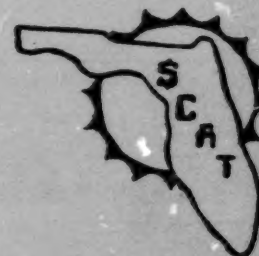
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Teacher PAL Tips

Welcome, teachers, to this \$CAT Consumer Education Teacher PAL*. We hope you will find this a useful resource while you are teaching this subject. Features of this PAL include:

A CONTENT OUTLINE of the Student PAL subject matter to aid you in class discussions.

STUDENT OBJECTIVES which state in behavioral terms the objectives of the Student PAL.

SUGGESTED ACTIVITIES which you may wish to use as enrichment activities. These include:

INTRODUCTORY ACTIVITIES which give suggestions for introducing the topic.

DEVELOPMENTAL ACTIVITIES which give ideas for developing the major concepts in the Student PAL. These suggestions are keyed to each section of the Student PAL and include appropriate resources.

REVIEW ACTIVITIES which give suggestions to guide the culmination of the study.

RESOURCE suggestions which are of three types and coded as follows:

- * Materials developed by \$CAT and included in this Teacher PAL.
- + Commercially developed materials, available at a cost.
- = Commercially developed materials, available free or on a free-loan basis.

ADDRESSES of the producers of all suggested resources as well as others which you may wish to contact for additional ideas and/or materials.

A SPECIALIZED VOCABULARY which is an alphabetized listing of all the "passwords" listed in the Student PAL.

FILM DESCRIPTIONS for each film suggested as a resource.

INSTRUCTIONAL AIDS which include Xerox masters for the Test, the Test Answer Sheet, Student Activity Sheets, Film Guides, and Transparencies which you may wish to use in your study.

ANSWER KEYS for the Test, SCAT-developed Activity Sheets, and all pages from the Student PAL requiring student responses.

A STUDENT PAL for your reference.

In addition, some pages in the Student PALs are designed specifically to encourage class discussions, and teacher-led discussions may be necessary to insure student comprehension of the concepts presented. Such pages in the Student PAL for this topic include:

Page 5: Determining risks involved in physical activities

Page 6: Attitudes about insurance

These features are suggestions only. You, the instructor, know your class best and should feel free to choose those activities and resources most appropriate for your students.

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INSTRUCTIONAL AIDS	BLUE
TEST	
TEST ANSWER SHEET	
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ANSWER KEYS	YELLOW
TEST	
STUDENT ACTIVITY SHEETS	
STUDENT PAL	
STUDENT PAL	GREEN

Insurance

It is impossible to overemphasize the importance of insurance in one's personal money management. It is impossible to avoid economic risks. The best one can hope for, through insurance, is to share these risks. The expenses of illness or accidental injury; the loss of one's property, or his liability when he causes others to lose theirs; and the responsibility for the welfare of those he supports are contingencies for which income alone cannot adequately provide. The less income one is able to earn, the more important insurance coverage becomes.

Auto, life, and health insurance are emphasized in this module as those of the greatest interest to young consumers. Homeowners insurance is introduced with emphasis given to the value of renter's insurance.

It is particularly difficult to understand the need for insurance when the student is young, healthy and dependent, but knowledge of the principles of insurance provides the student an important means of preparing for economic risks through wise money management as he learns the purpose, types, and benefits of insurance.

Content Outline

I. Principles of insurance

A. Risk

1. Unavoidability
2. Types
 - a. Personal risks
 - b. Property risks
 - c. Liability risks
3. "Sharing the risk"

B. Purposes of insurance

C. Types of insurance

D. Reasons for buying insurance

E. Role of insurance in economy

F. Insurance companies

1. Stock companies
2. Mutual companies

G. Role of insurance agents

II. Auto insurance

A. Coverage

1. Property damage
2. Bodily injury
3. Medical payments
4. Collision
5. Comprehensive
6. Uninsured motorist

B. Cost factors

1. Territory
2. Personal factors
 - a. Age
 - b. Sex
 - c. Marital status
3. Car
 - a. Use
 - b. Cost
 - c. Age
 - d. Type
4. Cost saving factors

C. Company

1. Safety
2. Service
3. Shop and compare

III. Life insurance

A. Purposes

1. Protection
2. Savings

B. Types

1. Term
 - a. Pure protection
 - b. Coverage for a given number of ^{60/6} 1 years
 - c. No cash value
 - d. Most coverage for premium dollar

2. Whole life
 - a. Both protection and savings
 - b. Covers "whole life"
 - c. Cash value based on premiums paid
 3. Limited-payment life
 - a. Whole life policy with special payment plan
 - b. Cash value
 4. Endowment
 - a. Savings plan with benefit of life insurance
 - b. Face value paid at maturity
 5. Annuity
 6. Credit life
- C. Combination policies
1. Combine term with one or more other types
 2. Relatively small cash value
- D. Insurance needs
1. Analysis of family needs and resources
 2. Rule of thumb: 4-5 times family's annual income
- E. Evaluate company
- IV. Health insurance
- A. Need for coverage

- B. Coverage
1. Basic coverage
 - a. Hospital expense
 - b. Surgical expense
 - c. Regular medical expense
 2. Major medical coverage
 3. Comprehensive coverage
 4. Disability or loss of income
- C. Sources
1. Government programs
 2. Private programs
- D. Consumer pointers
- V. Homeowners insurance
- A. Protection
1. Property loss
 2. Liability
- B. Coverage
1. Basic
 2. Broad
 3. Comprehensive
- C. Rating Factors
1. Coverage
 2. Replacement value
 3. Type of construction
 4. Loss experience in area
 5. Fire fighting services

VI. Insurance pointers

- A. Choose wisely
- B. Buy carefully
- C. Use well
- D. Help is available
 - 1. Insurance agent
 - 2. Insurance company
 - 3. State department of insurance
 - 4. Elected representative
 - 5. Attorney

Student Objectives

1. Given a password and several alternatives, the student will identify the alternative which defines the password.
2. Given several alternatives, the student will be able to identify the characteristics of at least four major types of life insurance: term, whole life, limited-payment life and endowment.
3. Given several alternatives, the student will identify age, sex, health and occupation as four major factors contributing to the cost of life insurance.
4. Given several alternatives, the student will identify the predominant personal life insurance program as a combination of term insurance and one or more other types.
5. Given several alternatives, the student will be able to rank the four major types of life insurance from lowest to highest premium as term, whole life, limited-payment life and endowment.
6. Given several alternatives, the student will identify the functions of the insurance agent.

7. Given several alternatives, the student will identify government and private programs as the two major sources of health insurance.
8. Given several alternatives, the student will identify two types of situations in which health insurance benefits the consumer: partial or total payment of medical expenses and income replacement due to ill health, and/or identify characteristics of each.
9. Given a realistic situation involving medical expenses covered by health insurance, the total bill, the deductible and/or the percentage of co-insurance, the student will calculate the amount owed by either party.
10. Given a type of insurance such as auto, life, health or homeowners and several alternatives, the student will identify the function of the type of insurance named.
11. Given several alternatives, the student will identify the types of coverage included in automobile insurance.

12. Given several alternatives, the student will identify the types of coverage included in homeowners insurance.
13. Given a type of insurance (auto, life, health or homeowners) and several alternatives, the student will identify principal factors in determining the cost of the insurance.
14. Given several alternatives, the student will identify the collection and investment of premiums as the major source of profit for insurance companies.
15. Given several alternatives, the student will identify considerations in shopping for insurance.
16. Given a realistic situation involving losses and/or damages, the student will identify from several alternatives the type of insurance that is applicable.

Introductory Activities

Generalizations	Activities	Resources
The purpose of insurance and the principles upon which it is based are important factors for the modern consumer to consider in his money management strategies.	1. Administer <i>It's Later Than You Think</i> test as a Pre-test. 2. Conduct an insurance attitude inventory. Ask students to list orally their beliefs as to why insurance <u>is</u> or <u>is not</u> important. Record pro and con listing. Repeat activity at end of unit and compare listings, noting changes of concepts and attitudes. 3. Utilize 1. What is Insurance? 4. Discuss the development of insurance as a method of "Sharing the Risks." Stress that insurance has evolved from loosely formed insurance policies of ancient Babylon to the highly complex structure of insurance today.	* Test Teacher PAL + <u>Insurance</u> "Insurance: What It's All About" (multi-media kit) + "What Do You Think About Insurance?" (attitude inventory) Changing Times Education Service * Student PAL, pp. 3-20 = <u>Insurance Facts</u> (booklet) Insurance Information Institute = <u>Money Guide to Insurance</u> (booklet) Time Inc.

Generalizations	Activities	Resources
23	5. List risks that most people face every day. Which are worth insuring? Why? Which would an insurer reject? Why? 6. Utilize an audio-visual approach to define insurance. 7. Invite a representative of a local insurance firm to speak to the class. 8. Design a bulletin board displaying a variety of insurance forms; brochures; insurance-oriented careers; high-risk, accident-prone occupations, etc. 9. Monitor TV and radio commercials and collect newspaper and magazine advertising to list reasons insurance companies give for buying insurance. Identify the emotions to which these promotions appeal.	* Transparency Master #1 Teacher PAL * Transparency Master #2 Teacher PAL + <u>Insurance</u> (multi-media kit) The NOW Corporation + <u>Insurance--What It's All About</u> (16 mm film - Film Guide #1) FilmFair Communications + <u>Priorities, Decisions, Security,</u> "Priority Planning" (multi-media kit) Institute of Life Insurance Local resource person vol 2

Generalizations	Activities	Resources
25	10. Suggest that interested students research the history of insurance and report their findings to the class. Possible topics: - Beginnings of insurance in Babylon "Bottomry" loans in ancient India - Roman "burial societies" for insuring funeral payment - Beginnings of maritime insurance (Spain, 1400's) - Lloyds of London - History of insurance in the United States 11. Define and discuss the types of insurance to be studied in <i>It's Later Than You Think</i>. 12. Examine sample insurance policies.	* Transparency Master #3 Teacher PAL + <u>Insurance: What You Should Know</u> (16 mm film) BFA = <u>Introductory Book of Sample Insurance Policies</u> (6 basic policies and forms) Insurance Information Institute 26

Developmental Activities

Activities	Resources
1. Utilize 2. What Is Auto Insurance? 2. Survey students' current understanding of auto insurance. Ask those who are drivers to relate their insurance experiences. 3. Utilize an audio-visual approach to illustrate facets of auto insurance. 27.	* Student PAL, pp. 21-38 = <u>Educator's Guide to Teaching Auto and Home Insurance</u> (booklet) = <u>A Family Guide to Property and Liability Insurance</u> (booklet) Insurance Information Institute * Transparency Masters #4, #5 Teacher PAL + <u>Automobile Insurance</u> (bulletin board chart) + <u>Automobile Insurance</u> (multi-media kit) Insurance Information Institute + <u>So You Want Wheels, Teaching Situation Three - "Finding Out About Insurance"</u> (multi-media kit) 23 + <u>How To Buy Auto Insurance Today</u> (mini-unit) Changing Times Education Service

Activities

4. Survey several insurance agencies and compare rates for similar coverage. Discuss the differences in rates for greater coverage, for older cars, for higher deductibles, etc.
5. Practice using rating factors to determine insurance cost.
6. Discuss factors which decrease the cost of auto insurance to teens, emphasizing the good student discount.
7. Discuss reasons for cancellations of auto policies:
 - Nonpayment of premiums
 - Excessive claims
 - Suspension or revocation of driver's license
8. Discuss steps to take if your auto policy is cancelled.
 - If your record is clean--stay cool and start shopping.
 - "Assigned risk" procedure under which a "bad risk" driver is assigned to an insurer in his state (premiums usually 10-200% more than usual, but insurance is available).

1. Utilize

3. What is Life Insurance?

Resources

- + Wheels,
"Car Insurance and You"
(simulation game)
Paul S. Amidon
- * Student Activity Sheet #1
Teacher PAL
- + Mathematics for Daily Living,
pp. 11-26
(book)
McCormick-Mathers Publishing
Company

* Student PAL, pp. 39-54

Activities

2. Define the purposes of life insurance.

31

3. Determine the size of the insurance industry in the United States.

Resources

- * Transparency Master #6
Teacher PAL
- + Consumer Survival Kit,
"You Bet Your Life! - How
to Buy Life Insurance"
(video cassette)
Maryland Center for Public
Broadcasting
- + Dealing With Life Insurance
(card game)
American Council of Life
Insurance
- + Decade of Decision
- + Handbook of Life Insurance
- + Life Insurance Fact Book
(booklets)
- + Priorities, Decisions,
Security,
"The Sixth Sense"
(multi-media kit)
Institute of Life Insurance
- + Insurance
"Life Insurance"
(multi-media kit)
Changing Times Education
Service
- = To Life, With Love
(16 mm film)
Association-Sterling
- + The World Almanac and Book
of Facts
(book)
Newspaper Enterprise Assn.

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Activities

4. Debate the moral responsibility of owning life insurance.
5. Contrast term and whole life insurance, listing the characteristics of each.
6. Illustrate how cash surrender value increases as premiums are paid.
Display tables from actual policies and compute the cash surrender value at different times in the life of the policy.
7. Discuss the characteristics of specialized insurance coverage.
Include: Limited-payment life
Endowment
Annuity
Credit life
Discuss the situations to which each type would apply.
8. Compare premiums for various types of insurance coverage.
9. List the factors included in determining how much life insurance a family needs.
Emphasize needs and assets and the importance of advice from a well-qualified agent.
Include social security benefits as an asset.
10. Invite a life insurance company representative to discuss differences in life insurance needs with the class.
Prepare problem situations as guides:

Resources

- + The Holy Bible
I Timothy 5:8
- * Transparency Master #7
Teacher PAL
- + Protecting Your Future,
Activity Masters 6-8
(activity masters)
Institute of Life Insurance
- Local insurance agencies
- + Mathematics for Daily Living
pp. 360-377
(book)
McCormick-Mathers Publishing
Company
- + How Much Life Insurance Do
You Need?
- + What Kind of Insurance Should
You Buy?
(mini-units)
Changing Times Education
Service
- Local insurance representative

Activities

ANGELINE: Age 17, high school senior intending to enroll in college next year, with most expenses to be paid by parents.
She will have an annual income of \$1,300.

RICHARD: Age 23, married, wife works, no children planned, with a family income of \$14,000.

MARK: A lawyer with an annual income of \$33,000, age 32, married, wife does not work outside the home, 4 children ages 1, 3, 5, 7.

11. Role-play a husband-wife situation in which a life insurance representative is attempting to sell a policy.
If possible, have local insurance agent "play" the representative.
12. Emphasize the value of the information given in Best's Insurance Reports when choosing an insurance company.
13. Explore career possibilities in the life insurance field.

Resources

+ Best's Insurance Reports
Life & Health
(reference books)
A. M. Best Company

= A Life Career
(pamphlet)
Institute of Life Insurance

+ Is a Career in Finance,
Insurance or Real Estate for
You?
(16 mm film)
Counselor Films, Inc.

+ You Can Help
(16 mm film)
Insurance Information
Institute

Activities

1. Utilize **4. What is Health Insurance?**
2. Survey students' experiences with health costs. Include accidents, illnesses, time spent in hospitals.
Solicit knowledge concerning costs and means of payment.
3. Discuss the two ways health insurance protects the consumer:
BY PAYING SOME OR ALL OF THE MEDICAL COSTS DUE TO ILLNESS OR INJURY
BY REPLACING SOME OR ALL OF THE INCOME LOST DUE TO ILLNESS OR INJURY
4. Ask students to survey parents concerning the protection they have in the form of health insurance, either group or individual.
5. Tabulate the results of parent surveys to determine how many different plans are represented.
6. Suggest that several students prepare graphs of health insurance data: premiums, benefits paid, etc. (in the United States) for the last 25 years.
7. Discuss government health programs such as Medicaid and Medicare.
8. If possible, ask a government representative for Medicare or Medicaid to discuss the programs with the class.
9. Explain that our tax dollar pays for government health care programs.
Debate whether this is a wise expenditure of tax dollars.
10. Discuss private health insurance plans.
If possible, obtain a resource speaker from a major insurance firm to explain private plans.

Resources

* Student PAL, pp. 55-70

* Transparency Master #8
Teacher PAL

+ Source Book of Health Insurance Data
(reference book)
Health Insurance Institute

Local resource person

Local resource person

Activities	Resources
11. Explain types of coverage available and the varying costs of each. Include: Basic coverage Major medical coverage Comprehensive coverage 12. Define and discuss specialized terms used in major medical coverage. Include: Deductibility Co-insurance Limitations 13. List "Consumer Cautions in Health Insurance." Include "Dread Disease" policies and mail-order insurance policies. 14. Obtain literature and cost quotes to compare various types of health insurance policies. Evaluate each and ask for student recommendations. 15. Compile a list of questions or guidelines to use when shopping for health insurance.	* Transparency Master #9 Teacher PAL = <u>The Great Hospital Insurance Puzzle</u> (booklet) Florida Insurance Commissioner = <u>A Shopper's Guide to Health Insurance</u> by Herbert Denenberg (pamphlet) Blue Cross Association + <u>Consumer Survival Kit</u> "Here's to Your Health: Medical Care" (video cassette) Maryland Center for Public Broadcasting

Activities

16. Suggest that interested students research and report on:

Medicare "rip-offs" by doctors
Reasons for sky-rocketing cost of health insurance
The effect of malpractice suits on the cost of health insurance

17. Debate the need for a national health insurance plan.

1. Utilize **5. What Is Homeowners Insurance?**

2. Discuss the two types of coverage available to homeowners: Property loss
Liability

List examples of each.

3. Discuss the three basic forms of homeowners policies: Basic
Broad
Comprehensive

Resources

* Student PAL, pp. 71-76

= Insurance For the Home
(leaflet)
Insurance Information
Institute

* Transparency Master #10
Teacher PAL

+ Home Insurance
(bulletin board chart)

+ Insurance for the Home
(multi-media kit)
Insurance Information
Institute

+ Insurance
"Property and Liability
Insurance"
(multi-media kit)
Changing Times Education
Service

Activities	Resources
4. Study copies of property liability policies to determine: What is covered Exclusions Conditions under which the company may cancel the insurance Responsibilities of the insured or policyholder 5. List possible risks homeowners face. Evaluate and determine which should be insured against. Determine which coverage (basic, broad, or comprehensive) would be adequate for each type of risk. 6. Emphasize the fact that there is no "All-Risks" policy available. Ask students to explain this fact. 7. Discuss the type of insurance available to renters. Why is this important? 8. List the factors used in determining the cost of homeowners insurance. Discuss why each is important. Include: What is insured against Value of home Materials used in construction Area in which home is located Availability of fire-fighting service 9. Utilize insurance inventory forms to have each student prepare an inventory of all household items which would be lost in the event of destruction of his home. Emphasize the importance of listing the value of each item. 10. Compile a list of consumer pointers for the homeowners insurance shopper. 11. Explore career possibilities in the property and liability fields.	* Student Activity Sheet #2 Teacher PAL = <u>Careers in Property and Liability Insurance</u> (booklet) Insurance Information Institute

Review Activities

Generalizations	Activities	Resources
Students should re-view insurance principles, terminology, and the consumer guides necessary in choosing a personal insurance plan.	1. Utilize 6. Remember . . . 2. Re-administer the insurance attitude inventory. Compare concepts and attitudes. 3. Devise games and puzzles to review the vocabulary of insurance. 4. Prepare a program on insurance to share with a school or adult group. Video-tape if feasible. 5. Review the student objectives for this module. 6. Administer <i>It's Later Than You Think</i> as a Post-test.	* Student PAL, pp. 77-79 + <u>Insurance</u> "Insurance: What It's All About" (multi-media kit) + "What Do You Think About Insurance?" (attitude inventory) Changing Times Education Service * Student Activity Sheet #3 Teacher PAL * Student Activity Sheet #4 Teacher PAL * Test Teacher PAL

General Resources - Addresses

A. M. Best Company
Oldwick, NY 08858

American Council of Life
Insurance
1850 K St., N. W.
Washington, D.C. 20006

Association-Sterling
866 Third Avenue
New York, NY 10022

BFA Educational Media
2211 Michigan Avenue
Santa Monica, CA 90404

Blue Cross Association
Box 4389 P
Chicago, IL 60680

Changing Times Education Service
1729 H St., N. W.
Washington, D.C. 20006

Counselor Films, Inc.
2100 Locust St.
Philadelphia, PA 19103

FilmFair Communications
10900 Ventura Blvd.
Studio City, CA 91604

Health Insurance Institute
1850 K St., N. W.
Washington, D.C. 20006

Insurance Commissioner
Tallahassee, FL 32304

Insurance Information Institute
110 William St.
New York, NY 10038

Institute of Life Insurance
277 Park Ave.
New York, NY 10017

Maryland Center for Public
Broadcasting
Owings Mills, MD 21117

McCormick-Mathers Publishing
Company
450 West 33rd St.
New York, NY 10001

Newspaper Enterprise Association
230 Park Ave.
New York, NY 10017

The NOW Corporation
P. O. Box 366
St. Albans, WV 25177

Paul S. Amidon
1966 Benson Ave.
St. Paul, MN 55116

Time Incorporated
Time and Life Building
Rockefeller Center
New York, NY 10020

Specialized Vocabulary

AGENT

A sales and service representative of an insurance company

ANNUITY

An insurance contract under which you pay the life insurance company a given sum of money and receive in return a regular (usually monthly) income for the remainder of your life

ASSETS

Personal property, including money

AUTO INSURANCE

Insurance which covers you for vehicle-related damage, loss or injuries

AUTO POLICY

Insurance purchased by car owners to cover damage to the person or property of others and, if desired, damage to himself and his own car in case of accident

BASIC COVERAGE (Health)

Insurance protection which includes hospital expenses, surgical expenses, and regular medical expenses

BASIC COVERAGE (Homeowners)

Homeowners policy providing coverage against loss or damage from fire and lightning, windstorm, hail, smoke, vandalism, theft, personal liability, medical payments, damage to the property of others, and the additional cost of living elsewhere while the insured damage to the home is being repaired

BENEFICIARY

Person named in a life insurance contract to receive all or part of benefits or payments provided by the policy upon the death of the insured

BENEFITS

Payments made by an insurance company, public agency, welfare society, etc.

BODILY INJURY LIABILITY

Insurance to pay damages and legal costs in the event the insured's car injures or kills someone in an accident.

BREADWINNER

The family member whose earnings support the family

BROAD COVERAGE

Coverage in addition to basic coverage for a wide range of other hazards

CASH VALUE

Amount of money for which the policy may be cashed in or borrowed against before it becomes payable by death or maturity

CATASTROPHIC ILLNESS COVERAGE

Major-medical coverage (usually over \$25,000) which continues protection after basic coverage ends

CO-INSURANCE

A policy provision in which the insured and the insurance company share costs; typically, the insurer pays 80-90%, the insured pays the rest

COLLISION

Insurance which pays for damage to the insured's car if his car collides with another car or object, or is turned over

COMPENSATE

To make payments or reimburse for loss or damage to insured property

COMPREHENSIVE (Auto)

Insurance against physical loss to an insured vehicle due to causes other than collision or upset; e.g., flood, hailstorm, theft, vandalism, windstorm

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COMPREHENSIVE COVERAGE (Health)

A policy designed to give the protection offered by both a basic life and a major medical health insurance policy; features include a low deductible amount, co-insurance, and high maximum benefits

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COMPREHENSIVE COVERAGE
(Homeowners)

"All risks" policy which insures against all perils except those listed as exceptions

CONVERTIBLE

A policy provision which allows exchange for a different type of coverage

CONVERTIBLE TERM

Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance

COVERAGE

The financial protection an insurance policy provides

CREDIT LIFE

Life insurance providing for full payment of a loan in the event the borrower dies

DEBIT/INDUSTRIAL
LIFE INSURANCE

Life insurance with a small face value sold door-to-door for which premiums are collected weekly or monthly, also door-to-door

DECREASING TERM

Type of term insurance in which the amount of insurance declines from year to year while the premium remains the same

DEDUCTIBLE

The share of expenses which the insured must pay before the insurance company starts paying

DEDUCTIBLE (Auto)

Amount which the policyholder agrees to pay in each claim or accident toward the total amount of the insured loss; the higher the deductible, the lower the premium

DENTAL INSURANCE

A policy designed to cover the costs of fillings, extractions, dentures, oral surgery, orthodontic work and most other dental expenses for regular dental care as well as damage caused by accidents; features include deductibles, co-insurance and limitations

DEPENDENT	One who relies on someone else for support
DISABILITY OR LOSS OF INCOME	The form of health insurance which provides periodic payments to replace income when the insured is unable to work as a result of illness, injury or disease
ENDOWMENT	Insurance in which the face value is payable at maturity to the policyholder if he is still living, or to his beneficiary if he dies before the policy matures
EXCLUSIONS	Specific conditions or hazards listed in the policy for which the policy will not provide benefit payments
FIXED BENEFITS	Specific, stated limits of coverage
HAZARD	A possible danger; chance
HEALTH INSURANCE	Insurance which pays part of the medical bills when you or your family are hurt or ill
HMO	Health Maintenance Organization; comprehensive, prepaid group-practice medical care plan
HOMEOWNERS INSURANCE	Insurance which protects your home and belongings against loss
HOMEOWNERS POLICY	Policy which combines protection against fire, theft, personal liability and other perils in a single contract
HOSPITAL EXPENSE	Insurance covering daily charges for hospital room and board and certain hospital expenses, such as the cost of the operating room

INFLATION GUARD

Endorsement which automatically increases coverage to allow for increases in property value

INSURANCE

Protection by contract against financial losses (in whole or in part) that result from specific perils

INSURANCE COMMISSIONER

The state officer who regulates the insurance industry in each state

JUDGMENT

Legal decision

LIABILITY INSURANCE

Protection against claims in the event of bodily injury or death to someone else--or damage to his property

LIABLE

Responsible; obligated by law

LIFE INSURANCE

Insurance which helps cover family financial needs when the breadwinner dies

LIMITATION

The maximum amount the insurance company will pay

LIMITED PAYMENT

Whole life insurance on which premiums are fully paid in a limited, specified number of years

LIMITS

Maximum amount covered by a given policy -- usually expressed by a succession of three numbers separated by slashes, designating maximum coverage for bodily injury and for property damage; For example, "10/20/5" means insurance protection of up to \$10,000 payable to any one accident victim in an accident caused by you; up to \$20,000 in protection for all victims in the same accident; and up to \$5,000 in insurance protection against property damage caused by the policyholder's car to other cars or other people's property

LOSS EXPERIENCE

Amount of money insurance companies have paid in claims

MAJOR MEDICAL

The coverage which provides protection against the expenses of a catastrophic or lengthy injury or illness; it usually pays 80-90% of physicians' and hospital bills, after a deductible amount has been paid by the insured, up to the stated maximum of the policy

MATURITY

Date when the face value of a policy becomes payable

MEDICAL PAYMENTS

Coverage of a wide range of "reasonable" medical or funeral expenses within one year of an accident, covering the car owner and any other people injured or killed in his car; also covered are the policyholder and members of his family riding in or struck by another car

NEGLIGENCE

Failure to use a reasonable amount of care

OPTION

Choice

OPTIONS

Something which can be chosen; auto insurance coverage which is voluntary

PERIL

Exposure to risk

PIP

Personal Injury Protection; insurance which pays for injuries caused by an auto accident

PERSONAL PROPERTY

Property that is movable such as money, jewelry, furniture, etc.

POLICY

The printed legal document stating the terms of an insurance contract

POLICY HOLDER

A person who owns an insurance policy

PRE-EXISTING CONDITION

Physical condition of the insured that existed before the policy was issued

PREMIUM

Payment made to purchase protection under the terms of an insurance policy

PROPERTY DAMAGE LIABILITY

Insurance to pay the cost of repairing or replacing property of others in the event the insured's car damages other's property

PROPERTY INSURANCE

Insurance covering any type of property such as home, furniture, jewelry, and other personal belongings

REASONABLE AND CUSTOMARY FEES

Coverage which bases the insurance company's payment on the regular charges rather than on a fixed-benefit limit

REGULAR MEDICAL EXPENSES

Coverage which provides benefits toward the cost of such services as doctor fees for nonsurgical care in the hospital, at home, or in a physician's office

REIMBURSE

To pay back; to compensate for damages, time lost, etc.

RENEWABLE

Provision whereby the insured can purchase coverage without being required to pass a medical exam

RENEWABLE TERM

Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms

RENTER'S INSURANCE

Insurance designed to cover the possessions of those renting a home or apartment

REPLACEMENT VALUE	The amount necessary to rebuild a house or replace household items
RISK	Any chance of loss
SINGLE LIABILITY LIMIT	Single maximum amount covered by a given policy; an alternative to the split liability limit which must be used as designated; Amount can be used in any manner to cover the bodily injury and/or property damage for one accident
SPLIT LIABILITY LIMIT	A series of figures such as "10/20/5" which states the bodily injury and property damage limits of an auto insurance policy
STRAIGHT LIFE	Ordinary or whole life insurance on which premiums are payable during the policyholder's entire life
SURGICAL EXPENSES	Benefits to help pay surgeons' fees and other costs of surgical procedures
TERM	Insurance which remains in force for a limited, specified period of time
UNINSURED MOTORIST COVERAGE	A type of insurance which covers the policyholder and anyone else in his car if injured by a driver with no liability insurance
WAITING PERIOD	Length of time which must elapse between the time the policy is issued and coverage begins
WAIVER	Giving up or relinquishing a right, claim or privilege
WHOLE LIFE	Type of insurance which pays a lump-sum benefit in the event of the death of the policyholder and also builds up a cash value based on the premiums paid

Film Descriptions

INSURANCE -- WHAT IT'S ALL ABOUT (21 minutes) - FilmFair, 1975

FILM GUIDE #1

A humorous and wise old Father Time leads us through a light-touch explanation of the need for insurance. After a brief history of the beginnings of insurance, the film examines in detail the various basic types: auto, homeowners, health, and life. Within each category, essential terminology is defined and explained with the visuals providing a whimsical counterpoint to illustrate key points. The final portion of the film gives general advice on picking the right insurance company and/or agent, and names insurance watchdog agencies. In summarizing, Father Time points out that we can be over-insured as well as under-insured and that since insurance needs change, it is up to us to know enough to decide upon the amount and kind we are really in need of.

INSURANCE - WHAT YOU SHOULD KNOW (15 minutes) - BFA, 1979

Everyone has to make decisions about insurance. This film deals with the most common types: auto, health, property and life. It explains what policies and premiums are, the function of an agent, how to shop for best values, how to take advantage of deductibles and special group rates. While information is factual and straight forward, some of the amusing vignettes prod the viewer to think about insurance without fear or haste.

IS A CAREER IN FINANCE, INSURANCE OR REAL ESTATE FOR YOU? (15 minutes) - Counselor Films, 1973

This film discusses the duties of each occupation and examines the education and training required, where people in the industry work, how they are paid, the prospects for advancement, the employment outlook and where to obtain further information.

TO LIFE, WITH LOVE (14 minutes) - Association-Sterling

Through the eyes of Karen and Jeff, the audience experiences a range of attitudes of today's young toward inner values and the outer world. The young couple becomes aware of the important role that personal financial security, reinforced by life insurance, can play in strengthening their life together. Flash-forward shorts add touches of humor to Karen's and Jeff's rather serious dialogue. What emerges is a straightforward, modern look at life -- at some of the familiar changes and at the things that never change.

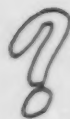
YOU CAN HELP (15 minutes) - Modern Talking Picture Service, 1973

This film explores careers in property and liability insurance.



INSTRUCTIONAL AIDS

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It's Later Than You Think

CHOOSE THE BEST ANSWER FOR EACH STATEMENT OR QUESTION.

1. The cash value of a life insurance policy is
 - A. the amount to be paid to the beneficiary when the insured person dies.
 - B. the amount paid to the policyholder out of surplus earnings of the insurance company.
 - C. the amount paid by the policyholder for life insurance.
 - D. the amount for which the policy may be cashed in or borrowed against.
2. Which of the following is FALSE?
 - A. Term insurance has a steadily increasing cash value.
 - B. Whole life insurance premiums must be paid throughout the life of the policy unless the policy is cancelled.
 - C. Limited-payment life insurance premiums are usually higher than those of whole life insurance.
 - D. Endowment life insurance is a savings plan.
3. The premium for life insurance is based upon the insured person's
 - A. age, health, income and sex.
 - B. health, sex, occupation and driving record.
 - C. age, sex, health and occupation.
 - D. income, occupation, driving record and age.
4. The most popular kind of life insurance program is a combination of
 - A. term insurance and one or more other types.
 - B. endowment and whole life insurance.
 - C. whole life and limited-payment life insurance.
 - D. limited-payment life and endowment.

5. Which of the following lists the four major types of life insurance in order from lowest to highest premiums?
 - A. whole life, term, limited-payment, endowment
 - B. term, whole life, endowment, limited-payment
 - C. limited-payment, whole life, term, endowment
 - D. term, whole life, limited-payment, endowment
6. Insurance agents
 - A. are required by the state to pass a test before being allowed to sell insurance.
 - B. help arrange loans with life insurance companies.
 - C. give advice to policyholders and help beneficiaries make claims.
 - D. do all of the above.
7. The major sources of health insurance are
 - A. hospitals and doctors' offices.
 - B. government and private programs.
 - C. employers.
 - D. all of the above.
8. Which of the following are ways in which health insurance can help the consumer?
 - A. Replace income following the death of the insured due to illness or injury
 - B. Pay some or all of the medical costs due to illness or injury
 - C. Replace some or all of the medical costs due to illness or injury
 - D. B and C only
9. Miss Kittie Feline was treated in a psychiatric hospital for catatonia. Miss Feline's hospital bill came to \$5,000, but she had a health insurance policy that had a \$50 deductible clause and a 90% co-insurance clause. How much should Miss Feline be required to pay?
 - A. \$450
 - B. \$495
 - C. \$545
 - D. \$550
10. If a person who is renting a house has renter's insurance and the house catches on fire, the renter's insurance will cover
 - A. damage to the house.
 - B. damage to the renter's possessions.
 - C. medical costs resulting from injuries to the renter.
 - D. all of the above.

11. Automobile insurance does NOT usually cover
 - A. damage to the owner's car
 - B. liability for damage to others' property.
 - C. medical expenses for injuries to the owner and others involved in a car accident.
 - D. damage to the owner's property, other than his car, which was damaged in a car accident.
12. Homeowners insurance does NOT usually cover
 - A. medical expenses for injuries to those living in the house.
 - B. damages to the home's plumbing.
 - C. the clothes of those living in the house.
 - D. living expenses if the insured home is damaged.
13. Which of the following does NOT affect homeowners insurance rates?
 - A. Crime rate in the area around the house
 - B. Materials used in building the house
 - C. Size of the family living in the house
 - D. Available fire fighting services
14. Life insurance companies make most of their profits through which one of the following?
 - A. Charging higher rates for a policy after a claim has been made
 - B. Not paying benefits after a claim has been made
 - C. Collection and investment of premiums
 - D. Lending money to policyholders
15. Which of the following should be remembered when shopping for insurance?
 - A. Group policies usually cost more than individual policies.
 - B. Some insurance companies offer discounts for non-smokers.
 - C. It is less expensive to pay premiums monthly rather than annually.
 - D. All of the above
16. A traveling salesman tripped on the front steps at the Newsoms' home. What insurance will cover the Newsoms in the event of a lawsuit brought by the salesman for his injuries?
 - A. Homeowners insurance
 - B. Automobile insurance
 - C. Health insurance
 - D. None of the above



NAME _____

CLASS _____

DATE _____

It's Later Than You Think



1 (A) (B) (C) (D)

2 (A) (B) (C) (D)

3 (A) (B) (C) (D)

4 (A) (B) (C) (D)

5 (A) (B) (C) (D)

6 (A) (B) (C) (D)

7 (A) (B) (C) (D)

8 (A) (B) (C) (D)

9 (A) (B) (C) (D)

10 (A) (B) (C) (D)

11 (A) (B) (C) (D)

12 (A) (B) (C) (D)

13 (A) (B) (C) (D)

14 (A) (B) (C) (D)

15 (A) (B) (C) (D)

16 (A) (B) (C) (D)



Auto Insurance



COST

AUTO INSURANCE RATES VARY.

FIND OUT FOR YOURSELF BY VISITING OR CALLING AT LEAST THREE AUTO INSURANCE AGENCIES AND ASKING FOR THE ANNUAL PREMIUMS FOR THE FOLLOWING AUTOMOBILE INSURANCE:

COVERAGE	PREMIUM		
	A	B	C
Automobile which is worth \$5,000			
Premium for collision insurance (\$50 deductibility)	\$ _____	\$ _____	\$ _____
Premium for collision insurance (\$100 deductibility)	\$ _____	\$ _____	\$ _____
Premium for collision insurance (\$300 deductibility)	\$ _____	\$ _____	\$ _____
Premium for comprehensive (\$50 deductibility)	\$ _____	\$ _____	\$ _____
Premium for 20/40/5 liability	\$ _____	\$ _____	\$ _____
Premium for 40/80/10 liability	\$ _____	\$ _____	\$ _____
Premium for 50/100/20 liability	\$ _____	\$ _____	\$ _____
Premium for 200/400/25 liability	\$ _____	\$ _____	\$ _____
Premium for \$500 medical insurance	\$ _____	\$ _____	\$ _____
Premium for \$300 medical insurance	\$ _____	\$ _____	\$ _____

GET THE SAME PREMIUMS FOR A CAR VALUED AT \$10,000, AND FOR ONE VALUED AT \$1,000. NOTE AND EXPLAIN THE DIFFERENCES AND SIMILARITIES IN THE PREMIUMS FOR THE DIFFERENT CARS.

WHAT TYPE OF INSURANCE PACKAGE WOULD YOU BUY FOR A CAR VALUED AT \$10,000; FOR ONE VALUED AT \$5,000; FOR ONE VALUED AT \$1,000?

IT'S LATER *Than (you) Think*

EXAMINE HAPP'S CURRENT "RISKY" SITUATION CAREFULLY.
YOU SHOULD BE ABLE TO LOCATE AT LEAST EIGHT RISKS OR PERILS HE COULD
COVER WITH INSURANCE.
LIST THEM ON THE LINES BELOW.



1. _____
2. _____
3. _____
4. _____

5. _____
6. _____
7. _____
8. _____

IT'S LATER THAN YOU THINK

WORDS

- A. Review the meanings of the following Passwords you have studied in It's Later Than You Think:

ANNUITY
AUTO POLICY
COLLISION
CREDIT LIFE
DENTAL INSURANCE
DISABILITY OR LOSS
OF INCOME

HOMEOWNERS POLICY
RENTER'S INSURANCE
SURGICAL EXPENSES
TERM
UNINSURED MOTORIST
COVERAGE
WHOLE LIFE

AGENT
BENEFICIARY
BENEFITS
CASH VALUE
EXCLUSIONS
INSURANCE COMMISSIONER
PREMIUM

- B. Write the word from the list above which matches each description:

1. _____ The state official who regulates insurance in each state
2. _____ Benefits to help pay surgeons' fees and other costs of surgical procedures
3. _____ A type of insurance which covers the policyholder if injured by a driver with no liability insurance
4. _____ Insurance designed to cover the possessions of those renting a home or an apartment
5. _____ Insurance purchased by car owners to cover damage to the person or property of others and, if desired, damage to himself and his own car in case of accident
6. _____ Insurance which pays for damage to the insured's car if his car collides with another car or object, or is turned over
7. _____ Specific conditions or hazards listed in the policy for which the policy will not provide benefit payments
8. _____ Payment made to purchase protection under the terms of an insurance policy
9. _____ Insurance which remains in force for a limited, specific period of time

- C. Write the first letter of the numbered words in the spaces below to make a statement about insurance.

1 ^N 2 3 4 5 ^N 6 7 8 4 ^Q 9 7 6 9 2 5 ^G 5 1 ^N 2 9 4 1 2 ^K 2

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It's Later Than You Think

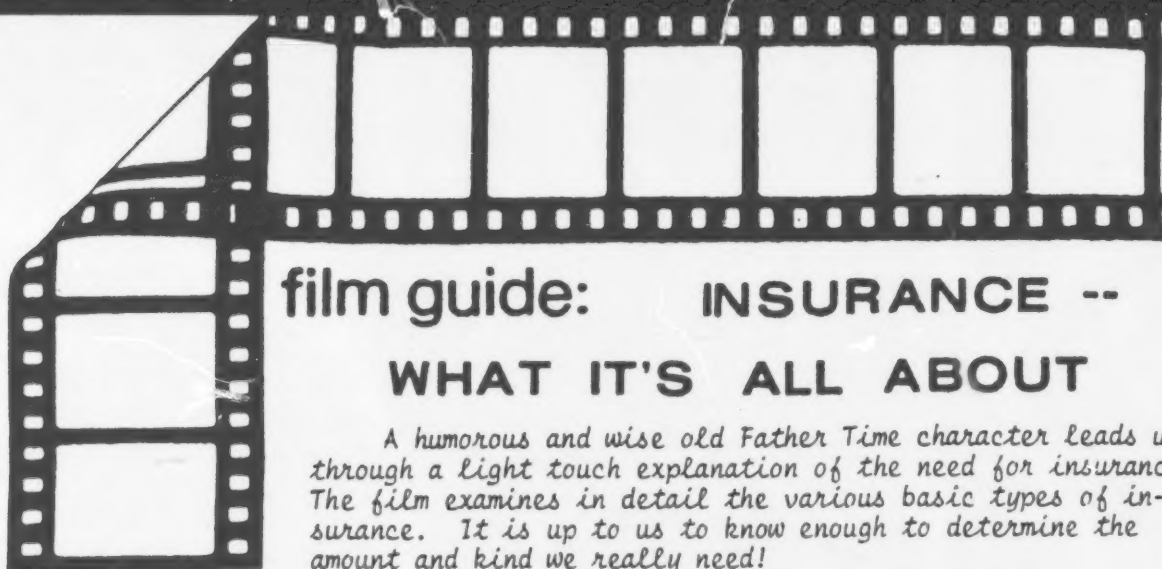
NOW THAT YOU HAVE COMPLETED THE ACTIVITIES IN THE INSURANCE PAL,
YOU SHOULD BE ABLE TO:

1. Identify what affects the cost of life insurance.
2. Identify the most popular type of life insurance program.
3. Rank the types of life insurance by cost.
4. Identify what insurance agents do.
5. Identify the major sources of health insurance.
6. Identify ways in which health insurance benefits the consumer.
7. Calculate, from information given involving health insurance, the amounts to be paid by the company and the policyholder.
8. Identify the purposes of different types of insurance.
9. Identify what is included in automobile insurance.
10. Identify what is included in homeowner's insurance.
11. Identify what affects the cost of the different types of insurance.
12. Identify how insurance companies make money.
13. Identify things to consider when shopping for insurance.
14. Use the information provided about losses or injuries to determine the type of insurance that will cover the situation.



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film guide: INSURANCE -- WHAT IT'S ALL ABOUT

A humorous and wise old Father Time character leads us through a light touch explanation of the need for insurance. The film examines in detail the various basic types of insurance. It is up to us to know enough to determine the amount and kind we really need!

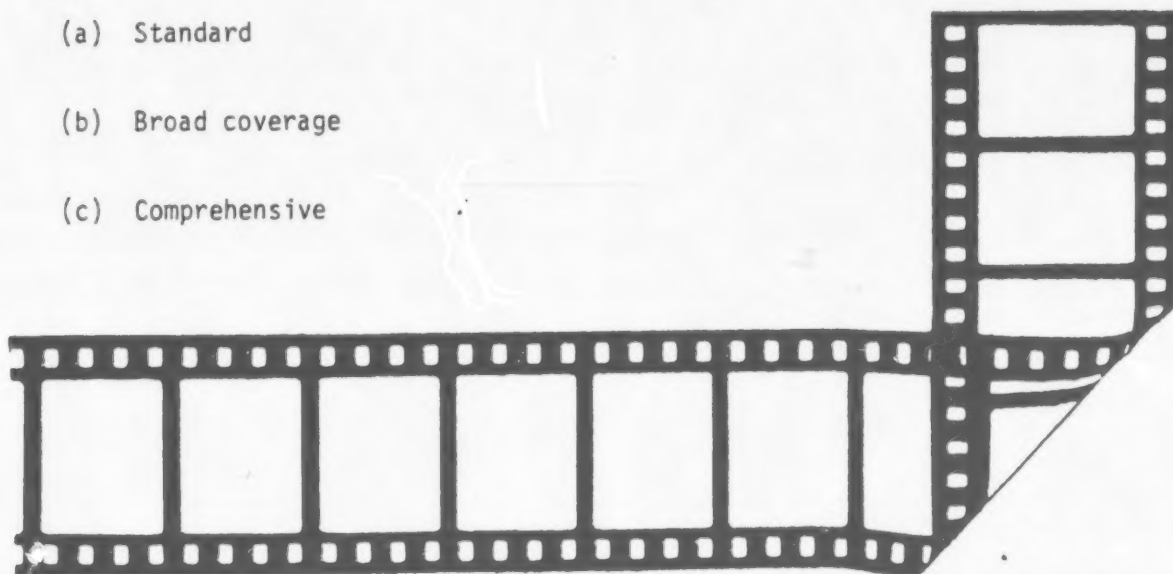
As you watch the film, or when it is completed, answer the following questions:

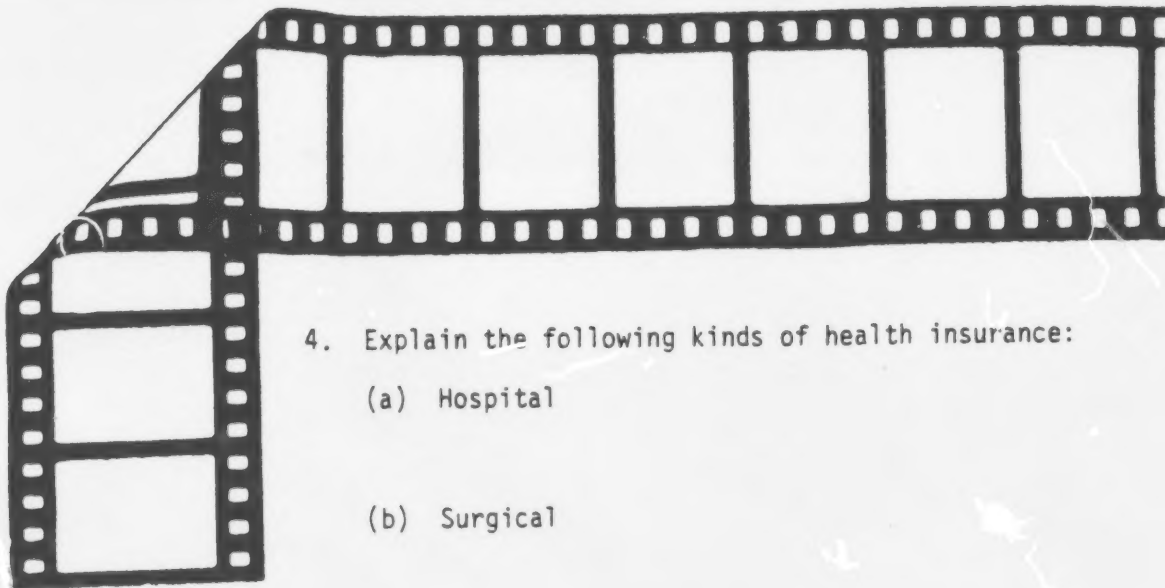
1. Explain the two types of auto insurance (property damage and public liability) required in most states. Explain "deductible."
2. What are the advantages and disadvantages of "no fault" insurance?



3. Define the three types of homeowner's insurance:

- (a) Standard
- (b) Broad coverage
- (c) Comprehensive





4. Explain the following kinds of health insurance:

(a) Hospital

(b) Surgical

(c) Major Medical

(d) Loss of Income

5. What are the main differences between term and whole life or cash value insurance?

6. What agencies can give you information about insurance agents or companies?

● *LIFE IS FILLED WITH RISKS*



*THE PURPOSE OF
INSURANCE
IS TO PROTECT AGAINST
RISKS*

INSURANCE?



Who needs it?



INSURANCE



Auto Insurance:

1. *Damage to the person
or property of others*



2. *Damage to your own person*



3. *Damage to your own automobile*





AUTO INSURANCE



LIABILITY

COLLISION

MEDICAL PAYMENT

UNINSURED MOTORIST



LIFE INSURANCE



***ESTATE
FAMILY SUPPORT
SAVINGS₉₅ GIFTS***



LIFE INSURANCE



TERM

Protection



WHOLE LIFE & ENDOWMENT

Protection



Savings



HEALTH INSURANCE :

*PAYS SOME OR ALL OF THE
MEDICAL COSTS
DUE TO ILLNESS OR INJURY*



*REPLACES INCOME LOSS
DUE TO ILLNESS OR INJURY*

HEALTH INSURANCE ???

BASIC

hospital expense

surgical expense

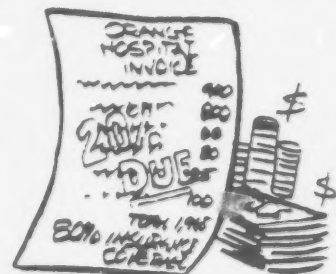
regular medical expense



MAJOR MEDICAL



COMPREHENSIVE



HOMEOWNERS INSURANCE

Basic

Fire or lightning	Aircraft
Loss of property	Vehicles
Windstorm or hail	Smoke
Explosion	Vandalism
Riot or civil commotion	Theft
Glass breakage	



Broad

Falling objects
Weight of ice, snow, sleet
Heating system, plumbing, air conditioning, etc. damage

Comprehensive

"All-risks"

EXCEPTIONS: Flood, earthquake, war, nuclear attack,





ANSWER KEYS

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It's Later Than You Think



1 A B C ●

2 ● B C D

3 A B ● D

4 ● B C D

5 A B C ●

6 A B C ●

7 A ● C D

8 A B C ●

9 A B ● D

10 A ● C D

11 A B C ●

12 ● B C D

13 A B ● D

14 A B ● D

15 A ● C D

16 ● B C D



IT'S LATER *Than You Think*

EXAMINE HAPP'S CURRENT "RISKY" SITUATION CAREFULLY.
YOU SHOULD BE ABLE TO LOCATE AT LEAST EIGHT RISKS OR PERILS HE COULD
COVER WITH INSURANCE.
LIST THEM ON THE LINES BELOW.



1. FIRE
2. WINDSTORM
3. THEFT
4. PERSONAL LIABILITY
(PAINTER)

5. PERSONAL LIABILITY (SALESMAN)
6. COLLISION
7. PROPERTY DAMAGE-AUTO
8. PROPERTY DAMAGE-UTILITY

IT'S LATER THAN YOU THINK

WORDS

A. Review the meanings of the following Passwords you have studied in It's Later Than You Think:

ANNUITY
AUTO POLICY
COLLISION
CREDIT LIFE
DENTAL INSURANCE
DISABILITY OR LOSS
OF INCOME

HOMEOWNERS POLICY
RENTER'S INSURANCE
SURGICAL EXPENSES
TERM
UNINSURED MOTORIST
COVERAGE
WHOLE LIFE

AGENT
BENEFICIARY
BENEFITS
CASH VALUE
EXCLUSIONS
INSURANCE COMMISSIONER
PREMIUM

B. Write the word from the list above which matches each description:

1. INSURANCE COMMISSIONER The state official who regulates insurance in each state
2. SURGICAL EXPENSES Benefits to help pay surgeons' fees and other costs of surgical procedures
3. UNINSURED MOTORIST COVERAGE A type of insurance which covers the policyholder if injured by a driver with no liability insurance
4. RENTER'S INSURANCE Insurance designed to cover the possessions of those renting a home or an apartment
5. AUTO POLICY Insurance purchased by car owners to cover damage to the person or property of others and, if desired, damage to himself and his own car in case of accident
6. COLLISION Insurance which pays for damage to the insured's car if his car collides with another car or object, or is turned over
7. EXCLUSIONS Specific conditions or hazards listed in the policy for which the policy will not provide benefit payments
8. PREMIUM Payment made to purchase protection under the terms of an insurance policy
9. TERM Insurance which remains in force for a limited, specific period of time

C. Write the first letter of the numbered words in the spaces below to make a statement about insurance.

I N S U R A N C E P R O T E C T S A G A I N S T R I S K S
1 2 3 4 5 6 7 8 4 9 7 6 9 2 5 5 1 2 9 4 1 2 2

SEE LIFE'S RISKS

Many people recognize that life has its *RISKS*. Some respond by rushing to get protection. Often they spend more for insurance than they can afford. Others respond to risks by simply ignoring the problem. They try to escape looking at life.

★ Rush for Protection

For example, Tom Jones is a super careful guy. He plans everything. Knowing the future is risky and unknown, he pays premiums every month to insure for almost everything.

★ Rush to Ignore the Risks

At the other extreme, Mary Wells lives a free and easy lifestyle. She believes in letting the future take care of itself. "What's the future ever done for me?" is her attitude. She doesn't have any insurance except what she must have to drive her super flashy automobile.

LIST THE RISKS YOU SEE IN THE FOLLOWING LIFE ACTIVITIES:

Driving a car: _____ ANSWERS WILL VARY



Walking in the forest: _____ ANSWERS WILL VARY



Swimming in the pond: _____ ANSWERS WILL VARY



Breathing city air: _____ ANSWERS WILL VARY



Raising a child: _____ ANSWERS WILL VARY



Mountain climbing: _____ ANSWERS WILL VARY



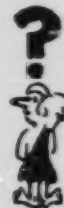
Leaving the key in your car: _____ ANSWERS WILL VARY

Insurance *IS* one way to plan ahead. Have you ever carefully planned ahead, only to have everything turn out rotten? What plans did you have? What went wrong?

Is it possible for people to be *too careful* in planning their lives against *RISK*? Can they over-protect themselves? Why? Why not? *HOW*?

What about no planning--just letting things happen?
Think about a time that you did not plan. What happened? Why?

Do you think that people can be *too casual*, not planning enough?
Why? Why not?



WHAT ARE YOUR ATTITUDES ABOUT INSURANCE?

Read the following statements. Revise them, if necessary, to state your point of view.

ANSWERS WILL VARY

1. "Women shouldn't have to fool around with insurance and stuff like that!"
2. "Insurance is the only way to get protection today."
3. "People who purchase insurance are just insecure folks. They worry too much."
4. "What can I do with life insurance, pay for a coffin?"
5. "Government should demand that everybody have health insurance--just like they force us to have insurance to drive our car."

State your attitude about insurance today. Include your feelings about whether or not insurance is important, who should have insurance, what insurance has to offer today's consumer, and any other feelings you have *TODAY*. Save your answer, and reread it after you have completed your study of this PAL.

ANSWERS WILL VARY



1. What is Insurance?

Show how well you remember what you have read by using the correct term to complete each of the following statements.
Every term appears in the *Passwords* section.

1. Buying INSURANCE is buying protection or security against possible loss.
2. Insurance works because many share the RISK.
3. An insurance policy will COMPENSATE or REIMBURSE the policyholder or beneficiary for loss of damage as specified in the policy.
4. An insurance AGENT can aid in planning insurance purchases.
5. True or False:
 - F The purchase of insurance is a guarantee that losses will not occur.
 - T An insurance policy is a legal contract
 - T An insurance agent is a salesman
 - F Social Security is a form of voluntary insurance
 - F The beneficiary is the person whose life or property is insured by an insurance policy

Fill in the following blanks:

TOTAL BODILY DAMAGE LIABILITY:	<u>\$16,000</u>
AMOUNT COVERED BY INSURANCE:	<u>\$15,000</u>
AMOUNT TO BE PAID BY HAPP:	<u>\$ 1,000</u>
TOTAL PROPERTY DAMAGE LIABILITY:	<u>\$3,500</u>
AMOUNT COVERED BY INSURANCE:	<u>\$3,500</u>
AMOUNT TO BE PAID BY HAPP:	<u>\$ 0</u>



Your answers should be:
\$16,000; \$15,000; \$1,000
\$3500; \$3500; \$0

"Then how much liability insurance do I need?" -- Perhaps as much as you can afford. *Consumer Reports* recommends 100/300/25. Additional liability protection is relatively inexpensive. It is possible to purchase ten times the protection by paying only twice the premium charge. On the other hand, the consumer may be told that liability claims are frequently based on the amount of coverage the insured driver has. As in every consumer decision, it's up to you. Be informed of the possibilities, then decide which is best for you.

COLLISION INSURANCE

Auto insurance to cover the cost of damage to your car is available as COLLISION and COMPREHENSIVE coverage.

Collision

Insurance which pays for the damage to your car if you collide with another car or object or turn your car over is classified as COLLISION coverage. Included is any damage as a result of an accident with another car, having a blowout and perhaps overturning, skidding into a tree, and any number of similar mishaps.

The insurance consumer should be aware of the two limits to collision insurance:

1. The most the company will pay in collision claims is the "retail value" of the car immediately previous to the accident. This value is determined by standard price estimates such as the "N.A.D.A. Official Used Car Guide." This may be much less than the consumer feels his car is worth.



Answer the following questions about the costs of liability insurance:

1. For which age group are the rates the lowest for every use of the car? OVER 30
2. For which use of the car are the rates the lowest for every age group? PLEASURE
3. Find the rates for:

Mary who is 17, single, and drives 2 miles to school	1.85
Jake who is 19, married, and drives 5 miles to work.	2.20
Norma who is over 30 and uses her car only for pleasure driving.	1.00
4. Find the cost of the liability coverage at a base amount of \$198 for:

Mary	\$366.30
Jake	\$435.60
Norma	\$198.00
5. Coverage is available in minimal, adequate, and superior amounts. Jake has decided to increase his coverage to the adequate amount which would increase his base amount to \$215. How much more would this coverage cost him? \$ 37.40
 How much more would this coverage cost Norma? \$ 17.00

The fact that auto insurance costs are **HIGH** is all too obvious to the consumer who has insured his car in the past. Since 1970, the cost of insuring the average car has gone up 66%.⁴⁵ The steep increases in cost of auto parts and repairs, and of hospitalization charges and doctors' fees have been cited as the cause for the increase.³ The only way for the modern consumer to come out a winner is to become a wise auto insurance buyer. To do this he needs to be informed about coverages, costs, responsibilities, and ways to save his insurance dollars.



2. What is Auto Insurance?

1. Basic auto policy coverage includes:

- | | |
|-------------------|------------------------|
| (1) BODILY INJURY | (4) MEDICAL PAYMENTS |
| (2) COLLISION | (5) PROPERTY DAMAGE |
| (3) COMPREHENSIVE | (6) UNINSURED MOTORIST |

Write the number for each type of coverage necessary in order to insure against the following risks:

- 3 fire or theft
- 5 damage to another person's car
- 4 injury or death of a person riding in your car
- 5 destruction of a fence
- 6 injury caused by a driver with no liability insurance
- 2 damage to your own car when you collide with another car
- 1 injury to another driver

2. Check only those personal factors which make a difference in the premiums paid for certain types of insurance:

- | | |
|-------------------------|---|
| <u>X</u> Age and sex | <u> </u> Reputation for courtesy |
| <u>X</u> Driving record | <u>X</u> An outstanding scholastic record |

3. True or false:

 T The three C's of auto insurance shopping are coverage, cost, and company.

4. "\$100 deductible" means

- A. \$100 deducted from premiums
- B. insurance company pays repair costs up to \$100
- Ⓒ owner pays repair costs up to \$100
- D. deduct \$100 on your income tax return

5. In a "Split Liability Limit" policy with 15/30/10 coverage, the insurance company would pay up to

<u> \$ 15,000 </u>	for any one person injured in an accident
<u> \$ 30,000 </u>	for all persons injured in that same accident
<u> \$ 10,000 </u>	for damages to others' cars or property

6. Find the premium for an auto policy offering a 10% driver-training discount and a 25% good-student discount if the insurance cost was quoted as \$225.50 before any discounts were applied. _____

Find the amount of damage the insurance company would pay in each of the following situations:

- | | |
|--|----------------------|
| 7. \$10,000 property damage insurance, \$13,500 damage | <u> \$ 10,000 </u> |
| 8. \$100-deductible collision, \$75 damage | <u> 0 </u> |
| 9. \$50-deductible collision, \$500 damage | <u> \$ 450 </u> |
| 10. 15/30 bodily injury liability insurance, first person awarded \$16,000; others awarded \$4000, \$8000, 6000. | <u> \$ 30,000 </u> |

Examine your own auto insurance policy or a policy owned by an insured driver. Read and discuss the coverage with your agent, friends, and other agents.



3. What is Life Insurance?

Think about what you read in the *Why Buy?*, *What Type?*, *How Much?* and *Where?* sections you just finished.

Then complete the five review questions below:

Circle the letter of the correct answer:

1. ALL types of life insurance provide
- ☐ A. cash benefits if the policyholder dies
 - ☐ B. cash surrender value
 - ☐ C. forced savings for the policyholder
 - ☐ D. low interest loan and conversion rights

2. The two basic types of life insurance are
- A. Term
 - B. Whole Life

Write the letter of the type which fits each description:

- ☐ A. Greater coverage for premium paid
- ☐ B. Premiums payable for life
- ☐ B. Has a loan value
- ☐ A. Has no cash value
- ☐ B. Form of permanent life insurance

Circle the letter of the correct answer:

3. Mr. Thought Full is 35, his wife is 30, and they have two young children. If he makes \$20,000 a year, the amount of life insurance it is suggested he should own is

- A. \$10,000
- B. \$25,000

- C. \$100,000
- D. \$250,000

4.

T F
X —

A good reason for having life insurance is that it provides cash when it is needed for expenses associated with the death of the breadwinner.

X —

A written contract between an insurance company and the person buying the insurance is called a policy.

— X

The insured is the person or persons named in the policy to receive policy benefits.

— X

A beneficiary is that person on whose life the policy is written.

— X

You can borrow on all life insurance policies.

X —

A provision in a life insurance policy which says the premium will not have to be paid if the policyholder is disabled for at least six months is called a waiver of premium.

X —

The cash value of a policy is the amount of money which may be borrowed against or which would be received if the policyholder cancelled his policy.

— X

Term insurance has a steadily increasing cash value.

X —

Factors included in determining the premium for a life insurance policy are age, sex, health & occupation.

— X

All types of life insurance require that premiums be paid until the policyholder dies.



5. Choose the best general guides for anyone buying any type of life insurance.

Cross out the 5 which do not belong in this list.



- A. Select a reliable insurance agent.
- B. If possible, pay the premium once a year.
- ~~C. Buy a good first policy so you won't ever have to change it.~~
- D. Look at many policies before you buy your policy.
- ~~E. Buy a large policy (at least \$50,000) so your family will be well-protected.~~
- F. Choose the policy providing the greatest protection for the premium dollar.
- ~~G. Don't name more than one beneficiary in your policy.~~
- ~~H. Don't drop your policy to buy a cheaper one.~~
- ~~I. Weekly insurance payments are cheaper than annual or semiannual payments.~~



4. What is Health Insurance?

1. Name the two ways in which health insurance can protect the consumer. Insurance coverage helps by

Paying SOME OR ALL OF THE MEDICAL COSTS DUE TO ILLNESS OR INJURY

Replacing SOME OR ALL OF THE INCOME LOST DUE TO ILLNESS OR INJURY

2. T F

X

The two major sources of health insurance in the United States are private programs and the government.

 X

Group health insurance plans are usually more expensive than individual plans.

X

Premiums will be less for policies with high deductibles.

3. Label each description according to the type of coverage described:

Basic Coverage Comprehensive Coverage Disability or Loss of Income
Major Medical

BASIC COVERAGE hospital, surgical, and regular medical expenses

<u>MAJOR MEDICAL</u>	protection against costs of serious and prolonged illness; features deductibility, co-insurance, and limitations
<u>COMPREHENSIVE COVERAGE</u>	protection offered by both basic & major medical health insurance in one package
<u>DISABILITY OR LOSS OF INCOME</u>	periodic payments to replace income when the insured is unable to work as a result of illness, injury or disease

4. Determine your cost in the following situation:

You own a \$100 deductible, 90% co-insurance, \$25,000 limit health insurance policy.

Your medical costs as a result of a recent illness were \$3,500.

\$ 340.00

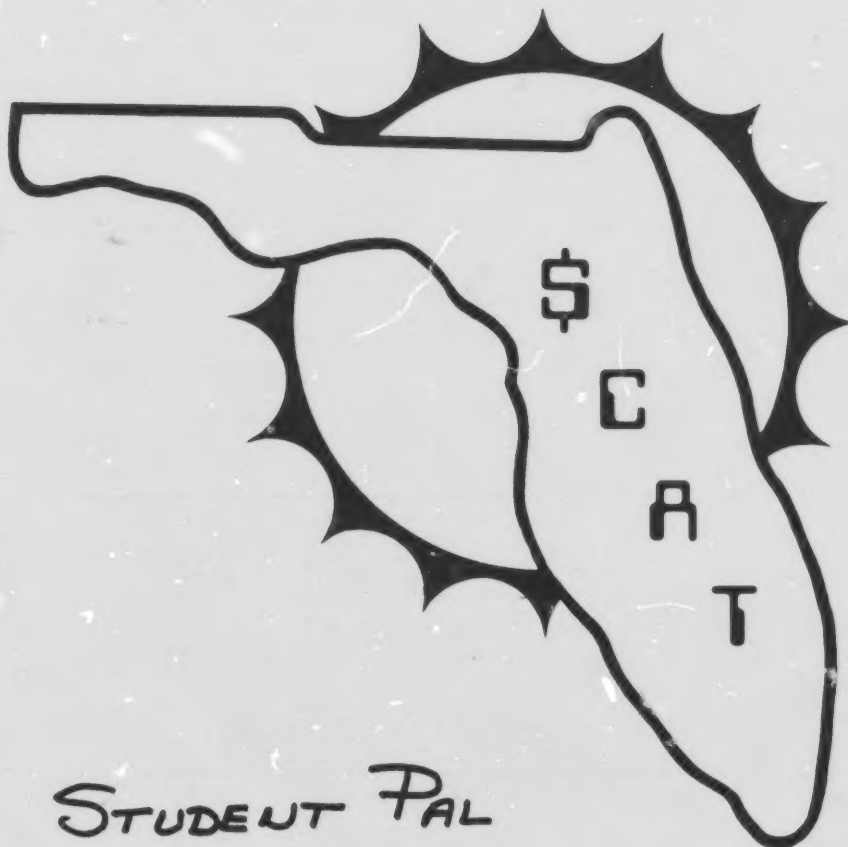
Your Cost





5. What is Homeowners Insurance?

- | T | F | |
|-------------|-------------|--|
| <u>X</u> | <u> </u> | 1. Homeowners policies protect against property loss and liability. |
| <u>X</u> | <u> </u> | 2. Renters purchase insurance to protect their possessions. |
| <u>X</u> | <u> </u> | 3. Homeowners insurance does not usually cover injuries to those living in the house because this protection is a feature of health insurance. |
| <u> </u> | <u>X</u> | 4. Injuries to others on your property are not covered by homeowners insurance. |
| <u>X</u> | <u> </u> | 5. Homeowners insurance rates are based on the characteristics of the home, the area in which the home is located, and the kind of coverage purchased. |
| <u>X</u> | <u> </u> | 6. Homeowners insurance can cover the home itself, other structures on the property, personal property, living expenses during repair, and personal liability. |
| <u> </u> | <u>X</u> | 7. The amount necessary to rebuild a house is called the loss experience. |
| <u> </u> | <u>X</u> | 8. Comprehensive coverage is less expensive than broad coverage. |
| <u>X</u> | <u> </u> | 9. Some insurance companies offer lower rates for those who buy auto insurance from the same company. |
| <u>X</u> | <u> </u> | 10. It is important to check the financial standing and the claim paying procedures of companies you are considering for homeowners insurance. |



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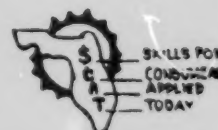
**MONEY MANAGEMENT
INSURANCE**

IT'S LATER



THAN YOU THINK

69 107





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W E L C O M E to this PAL*, a consumer resource booklet. The two characters shown on this page are the Hazzards -- Ms. Happ and Happ Hazzard. You will find them in many of the illustrations used throughout this booklet.



Important information is divided into chapters or sections. Each section begins with a title page and includes:

P A S S W O R D S which give the special meanings for the words used in that section.

R E V I E W T I M E exercises to determine what you have learned.

Have fun, study hard, and become a conscientious consumer.

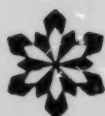


*PAL: Packaged Activities for Learning



Users of the consumer skills presented in this resource booklet come in both genders, female and male. The text and dialogues sometimes say "he," sometimes "she," sometimes "you," sometimes "the person." Please feel free to substitute the feminine for the masculine pronoun, and vice versa, any time it is appropriate to your situation.





DO YOU KNOW:



- ★ THE PURPOSE & TYPES OF INSURANCE AVAILABLE TO TODAY'S CONSUMER?
- ★ HOW INSURANCE BENEFITS THE CONSUMER?
- ★ HOW TO DETERMINE INSURANCE COVERAGE?
- ★ WHAT AFFECTS THE COST OF INSURANCE?
- ★ WHAT SERVICES INSURANCE AGENTS OFFER?
- ★ HOW TO SHOP FOR INSURANCE?

IT'S LATER *Than You Think*

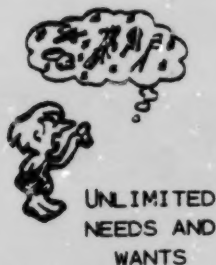
WILL HELP YOU LEARN ALL
THESE FACTS AS YOU STUDY

THE SECTIONS ON LIFE INSURANCE, HEALTH INSURANCE, AUTOMOBILE INSURANCE, &
HOMEOWNERS INSURANCE.



INSURANCE & SCARCITY

Before we learn about insurance in detail, let's see what it has to do with *scarcity*. SCARCITY is a basic problem with which we all have to wrestle. We have unlimited needs and wants--and we have only limited dollars and cents.



SCARCITY



LIMITED DOLLARS
AND CENTS

So

WE HAVE TO MAKE HARD DECISIONS
ABOUT HOW TO USE OUR RESOURCES
(DOLLARS AND CENTS) TO *BEST*
FULFILL OUR NEEDS AND WANTS.

However

We know that *NEEDS* can arise unexpected and accidentally--
The house burns down. A tree falls into the swimming pool. We run into
another car in the parking lot. Maryjane gets sick. Harry needs oral
surgery. Carlos gets his tooth knocked out scoring a touchdown during
the big game. Etc., etc., etc. . .

We understand that living has its accidents, its unexpected calamities, and its
RISKS. We seek protection against life's *RISKS* in many ways. One of those ways
is insurance. We use a bit of our limited resources to buy protection against
great, unpredicted *NEEDS*. Indeed, we often "gamble" a little money now against
an uncertain future.

Melvin Vaughan, Jr. and Sarah now have five children and three cats. They also have
a home mortgage, several small debts, and plan to send the children to college one
day. Mel's health is good, but he knows life's risks and his personal responsibili-
ties. So, they must make big decisions.

<i>Choice</i> (What Mel & Sarah decide)	<i>Costs</i> (What Mel & Sarah now cannot do)
Mel and Sarah decide to spend \$99.00 per month on life insurance and acci- dent/illness protection.	

SEE LIFE'S RISKS

Many people recognize that life has its *RISKS*. Some respond by rushing to get protection. Often they spend more for insurance than they can afford. Others respond to risks by simply ignoring the problem. They try to escape looking at life.



Rush for Protection

For example, Tom Jones is a super careful guy. He plans everything. Knowing the future is risky and unknown, he pays premiums every month to insure for almost everything.



Rush to Ignore the Risks

At the other extreme, Mary Wells lives a free and easy lifestyle. She believes in letting the future take care of itself. "What's the future ever done for me?" is her attitude. She doesn't have any insurance except what she must have to drive her super flashy automobile.

LIST THE RISKS YOU SEE IN THE FOLLOWING LIFE ACTIVITIES:

Driving a car:



Walking in the forest:



Swimming in the pond:



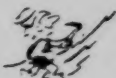
Breathing city air:



Raising a child:



Mountain climbing:



Leaving the key in your car:

Insurance *IS* one way to plan ahead. Have you ever carefully planned ahead, only to have everything turn out rotten? What plans did you have? What went wrong?

Is it possible for people to be *too careful* in planning their lives against *RISK*? Can they over-protect themselves? Why? Why not? *HOW*?

What about no planning--just letting things happen?
Think about a time that you did not plan. What happened? Why?

Do you think that people can be *too casual*, not planning enough?
Why? Why not?

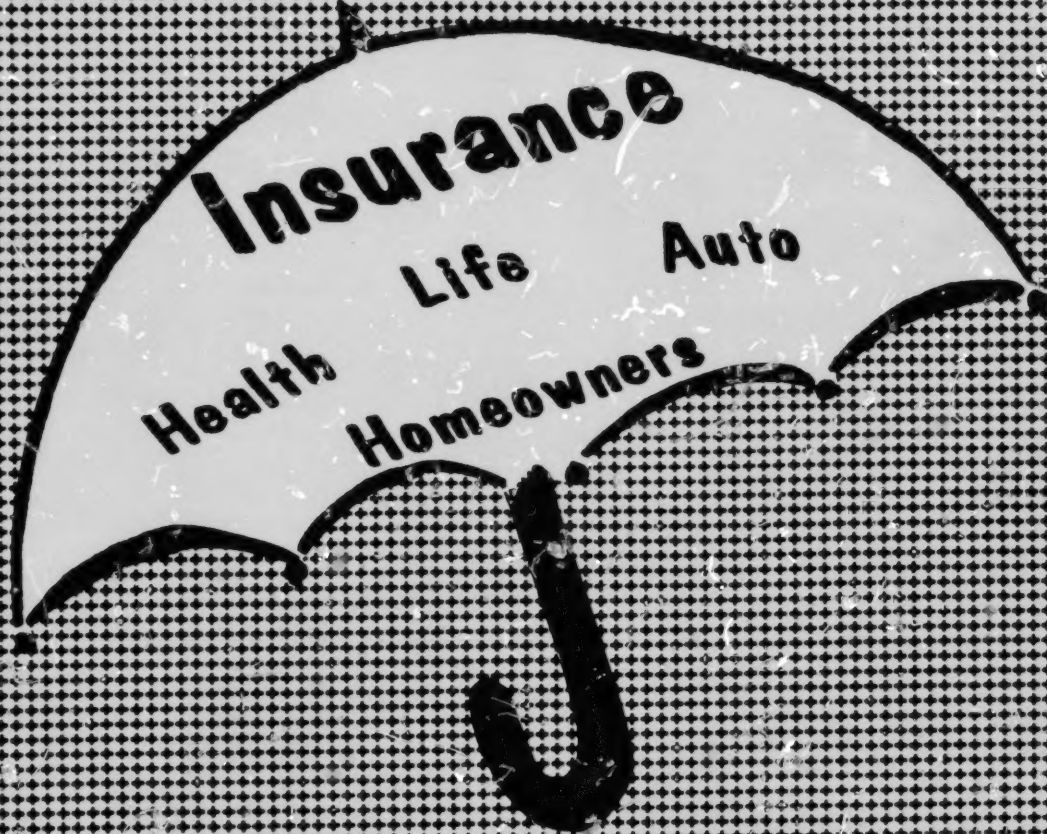


WHAT ARE YOUR ATTITUDES ABOUT INSURANCE?

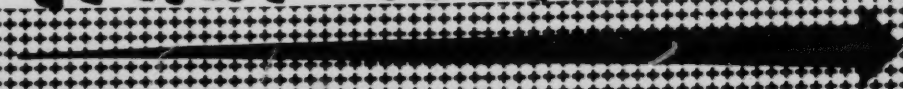
Read the following statements. Revise them, if necessary, to state your point of view.

1. *"Women shouldn't have to fool around with insurance and stuff like that!"*
2. *"Insurance is the only way to get protection today."*
3. *"People who purchase insurance are just insecure folks. They worry too much."*
4. *"What can I do with life insurance, pay for a coffin?"*
5. *"Government should demand that everybody have health insurance--just like they force us to have insurance to drive our car."*

State your attitude about insurance today. Include your feelings about whether or not insurance is important, who should have insurance, what insurance has to offer today's consumer, and any other feelings you have *TODAY*. Save your answer, and reread it after you have completed your study of this PAL.



1. What is Insurance?





passwords ...

1. What is Insurance?

AGENT

A sales and service representative of an insurance company

AUTO INSURANCE

Insurance which covers you for vehicle-related damage, loss or injuries

BENEFICIARY

Person named in a life insurance contract to receive all or part of benefits or payments provided by the policy upon the death of the insured

BREADWINNER

The family member whose earnings support the family

COMPENSATE

To make payments or reimburse for loss or damage to insured property

DEPENDENT

One who relies on someone else for support

HAZARD

A possible danger; chance

HEALTH INSURANCE

Insurance which pays part of the medical bills when you or your family are hurt or ill

HOMEOWNER'S INSURANCE

Insurance which protects your home & belongings against loss

INSURANCE

Protection by contract against financial losses (in whole or in part) that result from specific perils

LIFE INSURANCE

Insurance which helps cover family financial needs when the breadwinner dies.

NEGLIGENCE

Failure to use a reasonable amount of care

PERSONAL PROPERTY

Property that is movable such as money, jewelry, furniture, etc.

POLICY

The printed legal document stating the terms of an insurance contract

POLICY HOLDER

A person who owns an insurance policy

PREMIUM

Payment made to purchase protection under the terms of an insurance policy

REIMBURSE

*To pay back;
To compensate for damages, time lost, etc.*

RISK

Any chance of loss

Ready to Move On ?

Do You Know the Passwords ?



INSURANCE? Who needs it?

Because it is *possible* you may drive a car, could become ill, might have a fire in your home, or even die, some day *YOU* may well be the one who needs it.

LIFE IS FILLED WITH RISKS

IT IS THE PURPOSE OF INSURANCE TO PROTECT AGAINST THOSE RISKS

Insurance can repair the damages to your car, pay your hospital and doctor bills, replace the income lost should you be unable to work, pay the court costs if your dog bites the neighbor, pay you enough to rebuild the garage destroyed in that fire, pay for some of your college training, etc., etc., etc...

In spite of horoscopes, fortune tellers, fortune cookies and even computers, there is no reliable way to predict what will happen to us next week, next month, or next year. And it's even more difficult to worry about the future if you're young. But it is not possible to go through life without facing some risks.

RISKS, or possibilities of loss, are what we encounter every day:

In the morning, you run the risk of not making it to class or the office on time. On the way to that class or office, you run the risk of being involved in a traffic accident, even if you don't drive. During the day, you run the risks of accidental injury; contracting a disease; even the risk of death before you return to your home or apartment which may have been burglarized or burned while you were away.

There are ***Personal risks***-- you may lose your life, health, or ability to support yourself and those dependent on you.

Property risks-- your possessions might be damaged, lost or stolen.

Liability risks - you might be held responsible for another's financial loss resulting from an injury or damage you caused.

The way a person copes with *RISK* is dependent on many factors. A person may
TRUST TO LUCK -- by demonstrating a naive faith in living to a ripe old age without experiencing any misfortunes.

SAVE FOR A "RAINY DAY" -- by attempting to accumulate enough savings to handle any misfortunes which might occur.

BUY INSURANCE -- by cooperating with others who face the same risks.
This method substitutes a small, certain, loss (the premium) for a larger, uncertain, loss and can help eliminate worry.

Insurance is a cooperative device for sharing risks which transfers the risks of many persons to an insurance company.

"Sharing the risk" is the basis upon which insurance is built. It was with this principle that ship owners would share in the loss of goods and that Benjamin Franklin established his Union Fire Company fund in 1750. The primary purpose of insurance is therefore to reimburse those who suffer losses. Other functions of insurance in today's society are that it:

Enhances credit (the person owning insurance is a better credit risk)

Distributes the cost of loss

Offers freedom from worry

Contributes to financial well-being

Bolsters our economy and free enterprise system



The individual consumer's *NEED* for insurance should be based on his *GOALS* for planning the financial security of his family. Goals to be considered might include insurance to cover the possibility of death or disability of the breadwinner, medical protection for family members, an emergency fund of at least two months income, an educational fund, retirement benefits, and a mortgage-free home.

In analyzing needs for insurance, a first step should be analyzing the insurance to which the consumer is already entitled or which is available to him already:

SOCIAL SECURITY protects families in case of death or total disability and provides old-age protection.

*WORKMEN'S
COMPENSATION*

goes into effect in the event of an accident or death at work and makes weekly living expenses payments while also covering all medical costs.

*UNEMPLOYMENT
INSURANCE*

provides payments when you are off work and not disabled.

*DISABILITY
INSURANCE*

makes weekly payments as long as you are disabled and unable to work.

MEDICARE

provides health benefits for those over 65.

*WELFARE
PROGRAMS*

provide such benefits as medical care, maternity, weekly benefits to the family, training and retraining of the handicapped, old age benefits for those who do not qualify for social security, and food programs for the underprivileged.

The consumer may learn that he already qualifies for or is paying for part of the coverage he needs.

Three helpful guides in considering your answer to the "Who needs it?" question are:

The age of the buyer and his responsibilities determine his NEED for insurance.

The security provided by insurance is affected by inflation.

All-risk insurance is a myth.

Insurance is always an individual consideration. If you are single, rent a furnished apartment, do not drive a car, work at a regular job, and have a healthy savings account, you may decide you do not need any insurance.



People buy insurance for many reasons--some good and some not so good. When insurance is required by law, some persons buy insurance because they are afraid or don't want to get caught without it. Some persons buy insurance to meet their obligations to loved ones. Reasons for buying insurance might be thought of in levels:

REASONS PERSONS HAVE FOR BUYING INSURANCE

LEVEL I : PURCHASE INSURANCE TO AVOID PUNISHMENT FROM SOMEONE WITH POWER TO PUNISH:



"There's a big fine for driving without automobile insurance. I sure don't want to get caught!"

"Mary would divorce me if I didn't protect the children's future with my life insurance!"

LEVEL II : PURCHASE INSURANCE TO GET THE BENEFITS ONE SEES FROM HOLDING INSURANCE:



"Wow! I couldn't afford to be sick without health insurance. They pay almost everything."

"My life insurance will return cash when I am ready to retire."

LEVEL III: PURCHASE INSURANCE BECAUSE OTHERS WOULD THINK IT SILLY TO LIVE LIFE WITHOUT IT. (Respect from one's group.)



"Gee, the guys wouldn't ride to work with me if I didn't have good car insurance."

"They wouldn't fish from my boat on Saturdays, if I didn't have insurance. I'd be left out."

LEVEL IV : PURCHASE INSURANCE BECAUSE ONE SEES SUCH ACTION AS MAKING SENSE:



"Of course I have insurance on my house! If someone falls down the stairs, I want to care for them. And I don't want them to sue me and take away the house!"



"Yes, I have car insurance. It's the law, and it is a very good law."



"Yes, I've got life insurance. Everyone has it because it makes sense. Everyone needs that kind of protection."

LEVEL V : PURCHASE INSURANCE OUT OF ONE'S SENSE OF RESPONSIBILITY TO THOSE WHO DEPEND ON HIM, AND OUT OF A SENSE OF RESPONSIBILITY TO SOCIETY:



"Sure I have health insurance. I don't want to be a burden to others and I want to take care of my family responsibilities. I couldn't sleep at night, if I didn't."

Review the *LEVELS* of reasons for buying insurance. Which levels seem better to you? Why? Discuss this with your class and your teachers. Do they agree with you?

REASONS FOR BUYING INSURANCE

WRONG



SOCIAL PRESSURE

"Everyone has insurance--
it's expected."

ADVERTISING

"The commercials are
really forceful."

PERSONAL CONTACT

"But the agent is a
friend of mine."

GUILT

"I have to provide,
I'm the breadwinner."

TO GAMBLE

"Chances are, that in
five years. . ."

PLAIN OLD PRESSURE

"I just couldn't say
no!"

RIGHT



TO OBTAIN PROTECTION



Insurance has been called a game of chance in which the policyholder pays a premium to avoid the consequences of a catastrophe and the insurance company takes the chance that it will have to pay for the consequence. How do you feel about this "definition" of insurance?

***THE TYPES OF INSURANCE ARE LEGAL, MANDATORY,
& VOLUNTARY***

LEGAL insurance is that which is prescribed by LAW.
Examples of such insurance (depending on where
you live and your situation) include:

- Liability insurance on your auto
- Workmen's compensation
- Social Security
- Unemployment
- Disability

MANDATORY insurance is that which is required as a
CONDITION OF CREDIT such as:

- Fire insurance on a mortgaged home
- Collision insurance on a car which
is financed

VOLUNTARY insurance is that which is purchased to obtain
protection which you feel is necessary to
meet your needs

Examples of such insurance are:

- Life insurance
- Additional auto coverage
- Additional homeowners coverage
- Health insurance



Two types of **COMPULSORY INSURANCE** are Social Security which is required by the
Federal government, and Unemployment insurance which is required by state govern-
ments.



The following situations are offered to give you the opportunity to
think about insurance *issues*. Reflect upon each case. Discuss it with
your parents and friends. Then, take a position and support it with the
best reasons you can muster. Be ready to present your argument and to
learn from others' arguments.

*Carlos Tillis was elated when he got enough money to
buy his first car. He looked forward to driving it
and waving to friends and potential friends. But he
was told that before he could take that drive, he had
to have insurance! IT WAS THE LAW.*

Does that law make any sense to you? Why? Why not?

Discuss this with your parents and friends.

Should the State government have the **POWER** to tell us
that we must have insurance to drive our cars on the
roads and highways?



What a house! Mary Wabley has finally bought her first home. It is small, but it is hers! She is proud of it and looks forward to living there happily for years to come. But the mortgage company, who loaned Mary the dollars to buy the dream house, requires that she have adequate fire insurance on that house. Mary is not too happy about the added expense!

Should the mortgage company have the POWER to tell Mary she must have insurance? Discuss this with your parents and friends. Get -- and think about -- their opinions and reasons.

Irving is proud of his children, especially now that they are on sports teams in high school. Sarah is going out for cross-country and Irving, Jr., is into field hockey. However, Irving, Sr., is unhappy that the school requires members of sports teams to buy insurance against accidents.

Does Irving, Sr., have reason to be unhappy? Does the school policy make sense? Why? Why not?

George and Mary Kontos are worried about the rising cost of health care in America. They argue that all Americans should have a "national health insurance" organized by the Federal government. Each worker would be taxed to pay the cost of this health insurance. Their neighbor, Harry Smith, thinks that the idea is silly: "The government should not force a health insurance scheme on everyone. People need to take care of themselves!"



What is your position on this issue? What reasons can you offer to support your position?

INSURANCE PROVIDES PROTECTION AGAINST LOSS--- For a fee.

It is possible to insure against almost any risk if you are willing to pay the price--the PREMIUM. It is possible to insure against credit card loss, a rainy vacation, sonic boom, strikes, bad debts, crop failure, etc., etc. In this PAL, however, we will examine four of the basic types of insurance coverage--AUTO, LIFE, HEALTH and HOMEOWNERS.

First, however, let's explore two basic areas of insurance--insurance COMPANIES and insurance AGENTS.

INSURANCE COMPANIES



There are approximately 1800 life insurance companies and approximately 2900 casualty companies in the United States selling thousands of different policies.

Consumers need information to determine the financial stability and claims-paying history of any company they are considering. This is especially important when the offer has been made through the mail. Every company should be checked to see if it is registered in the consumer's state. The state Insurance Commissioner's office can be of service here.

Insurance companies invest part of the premiums they collect, contributing to our economy, and may be *Stock Companies* or *Mutual Companies*. *Stock Companies* are corporations which sell shares in the company. *Mutual Companies* are owned by the policyholders and are generally considered to be non-profit businesses. When shopping for insurance, one factor to consider may well be the type of company. Costs vary.



INSURANCE AGENTS

The single most important factor in insurance programs for most consumers is the agent. Shop for an agent even more carefully than for an insurance company. Some agents represent more than one company.

Insurance is a technical and complicated field. Therefore, it's a good idea to rely on an insurance agent for assistance in planning your insurance purchases. You may deal with the agent for years. Therefore, choose someone you feel comfortable with and someone who is well trained and qualified.

All states require a test before anyone can sell insurance. Many agents are trained by the American College of Life Underwriters to be a "Chartered Life Underwriter." The American Institute of Property/Liability Underwriters trains "Chartered Property and Casualty Underwriters." This means the agent has passed examinations not only in insurance, but also in economics, law, accounting, pensions, estate planning and taxation.

Your agent can help you select a plan that's right for you. Such plans are based on family status, financial needs, income, age, educational goals, retirement goals, debts, etc.

An agent can also:

- * Help plan your insurance program to meet your needs & preferences, including savings for specific goals, within the limits of your present & future income.
- * Advise, on certain policies, on various options & the designating of a beneficiary.
- * Explain all sections of a policy when it is delivered.
- * Help in periodic revision of your insurance program according to changes in marital status, family size, income, etc.
- * Advise you if it should ever become necessary for you to cash in or borrow on some of your policies.
- * Help beneficiaries make a claim in the event of death if you have life insurance.

***INSURANCE IS THE PURCHASE OF PROTECTION
AGAINST POSSIBLE LOSS.***



***INSURANCE WORKS BECAUSE MANY SHARE
THE COST OF THE LOSSES OF FEW.***



1. What is Insurance?

Show how well you remember what you have read by using the correct term to complete each of the following statements.
Every term appears in the *Passwords* section.

1. Buying _____ is buying protection or security against possible loss.
2. Insurance works because many share the _____.
3. An insurance policy will _____ or _____ the policyholder or beneficiary for loss of damage as specified in the policy.
4. An insurance _____ can aid in planning insurance purchases.
5. True or False:

_____ The purchase of insurance is a guarantee that losses will not occur.

_____ An insurance policy is a legal contract

_____ An insurance agent is a salesman

_____ Social Security is a form of voluntary insurance

_____ The beneficiary is the person whose life or property is insured by an insurance policy

We will look at the four major types of protection available to today's insurance consumer in the next sections:

2. What Is Auto Insurance?



3. What Is Life Insurance?

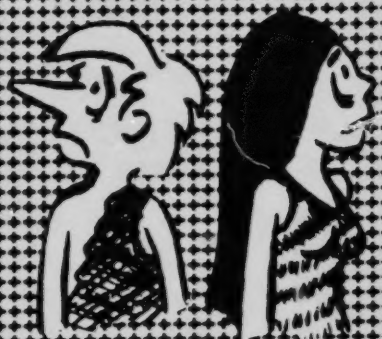


4. What Is Health Insurance?



5. What Is Homeowners Insurance?





**2. What is
Auto Insurance?**



passwords ...

2. What is Auto Insurance?

AUTO POLICY

Insurance purchased by car owners to cover damage to the person or property of others and, if desired, damage to himself and his own car in case of accident

BODILY INJURY LIABILITY

Insurance to pay damages & legal costs in the event the insured's car injures or kills someone in an accident

COLLISION

Insurance which pays for damage to the insured's car if his car collides with another car or object, or is turned over

COMPREHENSIVE

Insurance against physical loss to an insured vehicle due to causes other than collision or upset; e.g., flood, hailstorm, theft, vandalism, windstorm

COVERAGE

The financial protection an insurance policy provides

DEDUCTIBLE

Amount which the policyholder agrees to pay in each claim or accident toward the total amount of the insured loss
The higher the deductible, the lower the premium

JUDGMENT

Legal decision

LIABLE

Responsible
Obligated by law

LIABILITY INSURANCE

Protection against claims in the event of bodily injury or death to someone else -- or damage to his property

LIMITS

Maximum amount covered by a given policy -- usually expressed by a succession of three numbers separated by slashes, designating maximum coverage for bodily injury and for property damage

For example, "10/20/5" means insurance protection of up to \$10,000 payable to any one accident victim in an accident caused by you; up to \$20,000 in protection for all victims in the same accident; and up to \$5,000 in insurance protection against property damage caused by the policyholder's car to other cars or other people's property

MEDICAL PAYMENTS

Coverage of a wide range of "reasonable" medical or funeral expenses within one year of an accident, covering the car owner and any other people injured or killed in his car. Also covered are the policyholder and members of his family riding in or struck by another car

OPTIONS

Something which can be chosen;
Auto insurance coverage which is voluntary

PIP

Personal Injury Protection
Insurance which pays for injuries caused by an auto accident

PROPERTY DAMAGE LIABILITY

Insurance to pay the cost of repairing or replacing property of others in the event the insured's car damages other's property

SINGLE LIABILITY LIMIT

Single maximum amount covered by a given policy; an alternative to the split liability limit which must be used as designated
Amount can be used in any manner to cover the bodily injury and/or property damage for one accident

SPLIT LIABILITY LIMIT

A series of figures such as "10/20/5" which states the bodily injury and property damage limits of an auto insurance policy

UNINSURED MOTORIST COVERAGE

A type of insurance which covers the policyholder and anyone else in his car if injured by a driver with no liability insurance

Ready to Move On ?

Do You Know the Passwords ?

What is Auto Insurance?

Owning your own car--especially that first one--can be exciting. But the uninformed consumer may find that getting the required insurance for that car can be very frustrating. Most car owners buy auto insurance. Many do not understand what it's all about, however.



Even the best driver can be involved in an accident. The average driver makes 200 observations and 20 decisions for each mile he drives.²⁶ Therefore, most drivers believe auto insurance is a necessity.

Auto insurance may well be the most important purchase a consumer ever makes. Without proper coverage, an accident could lead to financial disaster if the driver were to pay personally for someone's injuries.

Three basic types of damages may be insured against when buying auto insurance:

- 1. Damage to the person or property of others**
- 2. Damage to your own person**
- 3. Damage to your own automobile**



COVERAGE

Auto insurance consists of a package of protection. Such a package may include all or part of the following:

LIABILITY INSURANCE covering both bodily injury and property damage to others.

This coverage protects the insured from lawsuits from others.

COLLISION INSURANCE covering damages to the insured's car as a result of a collision.

MEDICAL PAYMENT INSURANCE to pay the medical bills of the insured and those other persons injured in the insured's car.

UNINSURED MOTORIST INSURANCE which pays the insured for injuries caused by an uninsured and negligent motorist, or by a hit-and-run driver.

Let's look at each of these types of coverage to determine the *meaning* of the coverage, the *value* of the coverage, and *suggestions* to the consumer in the purchasing of the auto insurance coverage needed to meet his individual needs.

LIABILITY INSURANCE



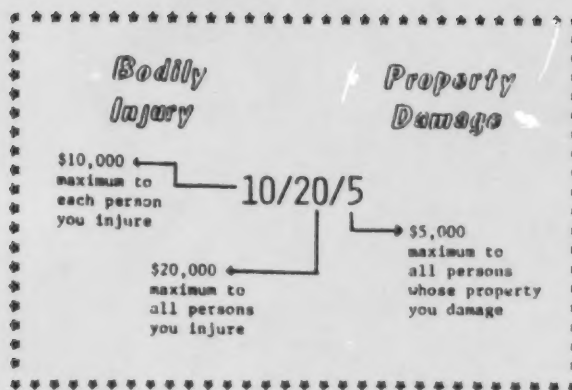
Bodily Injury Property Damage

Insurance covering damage to others is commonly known as **LIABILITY INSURANCE** and covers two areas of liability--liability for bodily injury to others and liability for damage to the property of others.

Liability insurance protection will provide legal defense and pay any damages which the named insured, his family members, or others who drive the car with permission of the owner may have to pay because of injuries to others.

Because an accident can occur any time a driver gets behind the wheel of his car, and because there are so many auto accidents every year, liability insurance is the most important type of auto insurance you can own. For this reason, **LIABILITY INSURANCE, OR PROOF OF THE ABILITY TO PAY SUCH CLAIMS, IS COMPULSORY IN ALL STATES.**

Auto liability insurance is usually referred to by a series of figures which show the *split liability limit*. In the example, 10/20/5, the first two figures refer to the bodily injury limits of the coverage. The last figures show the *property damage* limits of the coverage of the policy.



Note that these limits are written to cover two different possibilities in the area of bodily injury--while any *one* person could be paid up to \$10,000 for an injury in the policy described above, the insurer will pay no more than \$20,000 to be distributed among *all* of the injured, no matter how many people were injured in the accident.

Property Damage Coverage may be for as little as \$5,000 or as much as \$50,000. The most common policy, however, is for \$10,000. This means that the insurance company will pay up to \$10,000 of the damage that the insured might have caused to someone else's car, house, etc. Any amount over that, however, would have to be paid by the policyholder.

An alternative type of liability coverage is the SINGLE LIABILITY LIMIT policy. Available with limits from \$25,000 to \$300,000, such coverage may apply totally to bodily injury or property damage, or any combination of the two necessary due to the circumstances of the accident. Such coverage offers the consumer an important alternative to consider. Some accidents involve only property damage which is not adequately covered in a split liability policy. Other accidents may involve only bodily injury which may exceed the limits offered in a split liability limit plan. Consumers should be aware of such alternatives and discuss the merits of both plans with their agent.



Use the following example to see how well you understand auto liability coverage:

As a new driver, Happ purchased an auto policy with 10/15/5 coverage.

Three persons were injured in the car he struck on the night he lost control of his car on a rain-slick highway.

His liability for those injured was in the amounts of \$8000, \$6000, and \$2000.

The damage to the other driver's car for which Happ was liable was \$3500.

Fill in the following blanks:

TOTAL BODILY DAMAGE LIABILITY: _____

AMOUNT COVERED BY INSURANCE: _____

AMOUNT TO BE PAID BY HAPP: _____

TOTAL PROPERTY DAMAGE LIABILITY: _____

AMOUNT COVERED BY INSURANCE: _____

AMOUNT TO BE PAID BY HAPP: _____



Your answers should be:
\$1,000; \$15,000; \$3500;
\$3500; \$3500; \$3500;

"Then how much liability insurance do I need?" -- Perhaps as much as you can afford. *Consumer Reports* recommends 100/300/25. Additional liability protection is relatively inexpensive. It is possible to purchase ten times the protection by paying only twice the premium charge. On the other hand, the consumer may be told that liability claims are frequently based on the amount of coverage the insured driver has. As in every consumer decision, it's up to you. Be informed of the possibilities, then decide which is best for you.

COLLISION INSURANCE

Auto insurance to cover the cost of damage to your car is available as COLLISION and COMPREHENSIVE coverage.

Collision

Insurance which pays for the damage to your car if you collide with another car or object or turn your car over is classified as COLLISION coverage.

Included is any damage as a result of an accident with another car, having a blowout and perhaps overturning, skidding into a tree, and any number of similar mishaps.

The insurance consumer should be aware of the two limits to collision insurance:

1. The most the company will pay in collision claims is the "retail value" of the car immediately previous to the accident. This value is determined by standard price estimates such as the "N.A.D.A. Official Used Car Guide." This may be much less than the consumer feels his car is worth.

2. Deductible options are available. This means the policyholder agrees to pay up to a specified sum in each claim or accident toward the total amount of the insured loss. The higher the deductible, the lower your premium. In a policy with a "\$100 deductible" and a \$500 claim, you pay \$100, the company pays \$400. Usually a \$50 deductible is the minimum the insured can buy.

Comprehensive



Insurance for damage to your car from a variety of mishaps other than collision is **COMPREHENSIVE** coverage. Included is damage from missiles, falling objects (even from airplanes), larceny, explosion, earthquake, vandalism, etc.

Most car owners purchase fire and theft coverage. Again, deductibles are available and reduce the cost of insurance. It is important to be aware of the exclusions in your policy. Be sure to read the Physical Damage part of the policy.

MEDICAL PAYMENT INSURANCE

Medical Payments



Auto insurance coverage which will pay for surgical, dental, ambulance, hospital, nursing and even funeral expenses for anyone in the insured's car, including the insured, within one year of an accident is **MEDICAL PAYMENTS** coverage.

Medical Payments coverage is voluntary and applies to the policyholder and members of his family while riding in or being struck by another car as well as when a passenger in the insured's car. There are policies which will not pay for glasses or prescription drugs. Such policies may not be the best buy.

UNINSURED MOTORIST INSURANCE



There are many uninsured motorists on the road, in spite of state financial responsibility laws which prompt most drivers to purchase LIABILITY INSURANCE on their cars.

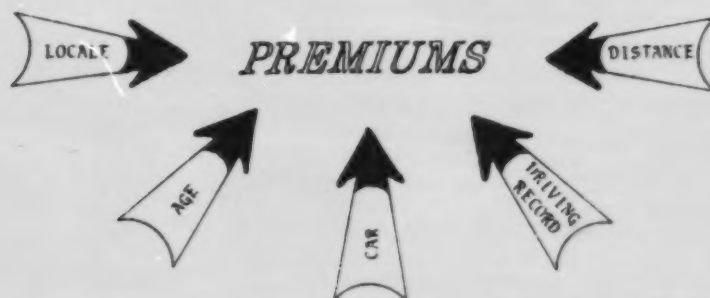
If an insured motorist is injured by someone who has no insurance, or by a hit-and-run driver, his injuries (and, in some states, his car) may be paid for by his own UNINSURED MOTORISTS insurance.

Many consumers might feel this is an unnecessary coverage when insurance is required by the state. But about 20% of all cars are not insured. This figure varies from state to state. In fact, the number of uninsured drivers seems to be increasing rapidly.

The limits of such coverage are whatever the legal minimums are for that state. For instance, if the limits are 10/20/5 in your state, your company will pay up to those limits.

COST

Many factors determine the cost of auto insurance to the individual consumer. Among the most common are where you live, who you are, how you use your car, your driving record, and the type of car you are driving.



Let's take a brief look at each factor:

LOCALE (Territory)

The greater the history of accidents in a territory, the greater the cost of the insurance and the cost of those accidents.

Insurance rates are usually more for city drivers than for rural drivers.

AGE
SEX
MARITAL STATUS

Young, single drivers have a history of the most frequent accidents. Female drivers who are under 25, or married; and male drivers over 30 or over 25 and married, usually qualify for the best rates.

DISTANCE DRIVEN
TO WORK

The greater the distance driven to work, the higher the cost of the insurance.

DRIVING RECORD

The driver with no accidents and a safe driving record may qualify for a safe driver discount.

CAR

Cost, age and type of car are factors in determining insurance costs as are the use of the car and the number of miles driven.

The cost of LIABILITY INSURANCE coverage is based on the base amount of the coverage chosen, multiplied by the rate for which the driver qualifies:

$$\text{COST} = \text{BASE AMOUNT} \times \text{RATE}$$

Liability rates for a typical major city appear below:

LIABILITY RATES

	Pleasure or less than 3 mi. to work	3 to 10 mi. to work	More than 10 mi. to work	Business
Male, single, 19 or less	3.50	3.65	3.65	3.65
Female, single 19 or less	1.85	2.00	2.05	2.05
Male, married 19 or less	2.05	2.20	2.25	2.25
Over 30	1.00	1.15	1.40	1.45



Note the four classifications of the driver and the four classifications for the use of the car.



Answer the following questions about the costs of liability insurance:

1. For which age group are the rates the lowest for every use of the car? _____

2. For which use of the car are the rates the lowest for every age group? _____

3. Find the rates for:

Mary who is 17, single, and drives
2 miles to school _____

Jake who is 19, married, and drives
5 miles to work. _____

Norma who is over 30 and uses her
car only for pleasure driving. _____

4. Find the cost of the liability coverage at a base amount of \$198 for:

Mary _____

Jake _____

Norma _____

5. Coverage is available in minimal, adequate, and superior amounts. Jake has decided to increase his coverage to the adequate amount which would increase his base amount to \$215. How much more would this coverage cost him? _____

How much more would this coverage cost Norma? _____

The fact that auto insurance costs are **HIGH** is all too obvious to the consumer who has insured his car in the past. Since 1970, the cost of insuring the average car has gone up 66%.⁴⁵ The steep increases in cost of auto parts and repairs, and of hospitalization charges and doctors' fees have been cited as the cause for the increase.³ The only way for the modern consumer to come out a winner is to become a wise auto insurance buyer. To do this he needs to be informed about coverages, costs, responsibilities, and ways to save his insurance dollars.

COMPARISON SHOP for your auto insurance by using a form like the one below:

INSURANCE CO.	B.I./ P.D.	MEDI- CAL	UNINSURED MOTORIST	COMP.	COLLI- SION	TOTAL ANNUAL COST	NOTES

Most consumers, especially the teenage driver for whom insurance costs are so high, are interested in ways to reduce their auto insurance costs. Especially important to the teenage driver are *GOOD STUDENT DISCOUNTS* and *DRIVER TRAINING* certificates which give a rate break. There are some important ways in which the careful auto insurance consumer can cut down on the costs of his insurance:

10 Way to Cut Costs

1. COMPARISON SHOP *before* buying; when you move; when your family changes (such as teenage drivers and when students are away at college); investigate group insurance.
2. FIND OUT IF YOU QUALIFY FOR SPECIAL DISCOUNTS:
Nonsmokers, nondrinkers, good student, driver training, over 65, safety equipment, females who are only drivers of the insured auto, safe driver discounts are all possibilities.
3. CONSIDER DROPPING COMPREHENSIVE AND COLLISION INSURANCE if you drive an older car and/or if you can handle some of the costs of repair.
4. RAISE YOUR DEDUCTIBLES:
You can save 20% by taking a \$50 deductible on comprehensive coverage and a \$100 deductible on collision coverage.

5. THINK TWICE BEFORE FILING CLAIMS:

Some experts suggest not filing all small claims if the company charges higher rates to drivers with claims records.

6. CONSIDER PAYING PREMIUMS YEARLY--it could be cheaper.

7. AVOID DUPLICATE COVERAGE:

It may not be necessary to purchase medical coverage which you already have as part of your comprehensive medical insurance plan. Check with your agent.

8. CONSIDER INSURANCE COSTS WHEN YOU BUY A NEW CAR:

Avoid cars that carry extra premium charges unless it is "worth it" to you.

9. INSURE ALL THE CARS IN YOUR FAMILY WITH ONE COMPANY:

It is possible pay about 10% per car less.

10. CONSIDER ITEMS OTHER THAN THE INITIAL COST OF THE POLICY:

Services and claims-paying procedures of a company are important considerations. Good service may be worth a little more.

COMPANY



The auto insurance consumer should also inform himself as to which companies are the most likely to offer the best service. In this area of shopping for insurance, your local public library may well be one of your best sources of information.

Best's Insurance Reports rates insurance companies using the following scale:

A+ & A	"EXCELLENT"	C+	"FAIRLY GOOD"
B+	"VERY GOOD"	C	"FAIR"
B	"GOOD"		

These ratings "reflect our opinion of the relative strengths of each institution compared with others, based upon averages within the insurance industry."

It is recommended that, whenever possible, insurance be purchased only from those companies receiving either an "A+" or an "A" rating.

The Insurance Almanac -- Who, What, When & Where in Insurance and "Which Companies Give the Best Service?", Consumer Reports, July 1977, are also good references.

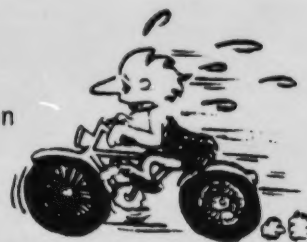
Other insurance consumers are an additional important source of information about the type of claim service offered by different companies. Inquire of friends, relatives, and co-workers to determine what experiences they have had with their auto insurance companies.

Safety, service, and shopping are the terms to remember when choosing an insurance company.

Safety -- The assurance that the policy protects the insured from financial loss. Be sure the company is registered in your state.

Service -- Does the company have a reputation for fair and prompt claim settlement?

Shop -- Rates vary for identical coverage in the same area. Determine what coverage you need, then shop for the best insurance buy.



Insurance may be a real problem for the approximately 4 million MOTORCYCLISTS in the United States today. Rates are high because of the danger of fatal accidents which is four times as great as the rate for auto accidents,⁴⁹ and because of the age of the operators.

Because it is often impossible to find coverage from auto insurance companies, it is often necessary to seek out a company which specializes in insurance for motorcycles.

Those consumers shopping for insurance of this type should be aware of some special features of such policies in which:

Only the owner-operator is covered, and no other operators

Liability coverage may become invalid if the driver is speeding or racing

Coverage for medical payments for injuries to the operator may be excluded

It is especially important when purchasing motorcycle insurance to:

Check with the agent to be sure you know what
IS and IS NOT covered in the policy.

No-Fault Insurance



No discussion of auto insurance today would be complete without mention of NO-FAULT INSURANCE which is now available in many areas.

No-Fault coverage was designed to provide fast and adequate payments for financial losses caused by auto accidents. It was also meant to eliminate such worries as who was at fault, whether the other insurance company would pay, and whether it might take a court case to obtain payment for damages. A no-fault system should be fast and fair, but in operation it has been found to not always be either fast or fair.

No-fault coverage in the field of auto insurance seems only logical when we look at other areas of insurance which are already no-fault. Life insurance is paid without asking questions about fault (except in cases of suicide). Fire and homeowners insurance is no-fault. Health and accident insurers do not question to determine fault before paying for a broken bone. Even in the area of auto insurance, comprehensive and collision coverage applies the no-fault principle.

In most cases no-fault insurance applies only to bodily injury and not to property damage.

Major advantages and disadvantages of no-fault insurance include the following factors:³²

ADVANTAGES: It speeds up compensation for losses.
It reduces the need for court decisions.
It provides for more proportionate compensation.
It results in lower insurance premiums.

DISADVANTAGES: Most systems restrict an injured party's right to sue.
Features and benefits vary.
There is no consensus on an ideal system.
The relationship between fault and liability is reduced.

Investigate No-Fault coverage for yourself: the purpose, the advantages, and the problems. If possible, discuss the topic with your insurance agent. Then decide whether you would support a No-Fault program.



Some motorists experience difficulty in purchasing liability insurance from any company because of the driver's poor driving record and/or safety record. Insurance is available to these drivers, however. Every state has an ASSIGNED RISK PLAN which assigns poor risk drivers to insurance companies on a rotation basis. Such motorists should check with their State Department of Motor Vehicles or Commissioner of Insurance.

HELP!

Some day it may be necessary to claim the benefits of your auto policy and ask for the aid of your insurance company representative--What do you do in case the unthinkable does occur and you are involved in an auto accident?

IN THE AWFUL EVENT THAT YOU SHOULD HAVE TO USE YOUR AUTO INSURANCE, TRY TO REMEMBER:¹¹

1. TRY TO REMAIN CALM AND EXERCISE YOUR BEST JUDGMENT.
2. IT'S PROBABLY BEST TO CALL THE POLICE.
Answer all questions.
If you don't know the answer, say so.
Don't make "guesstimates" about anything.
If you're too upset to think, tell the officer that.
3. DON'T DISCUSS THE ACCIDENT WITH ANYONE EXCEPT THE POLICE OFFICER.
4. WRITE DOWN THE OTHER DRIVER'S NAME, ADDRESS, PHONE NUMBER, INSURANCE AGENT'S NAME, THE TIME AND PLACE OF THE ACCIDENT, THE POLICE OFFICER'S NAME AND THE NUMBER OF THE ACCIDENT REPORT.
5. GIVE THE NECESSARY FACTS TO THE OTHER DRIVER.
6. TRY TO GET NAMES, ADDRESSES AND PHONE NUMBERS OF WITNESSES.
7. NOTIFY YOUR INSURANCE COMPANY AS SOON AS POSSIBLE.
8. WHEN THERE ARE PERSONAL INJURIES, GET MEDICAL HELP AS QUICKLY AS POSSIBLE, AND MAKE SURE THE POLICE ARE CALLED.



Contact the state COMMISSIONER OF INSURANCE if you have difficulties with your auto insurance for such reasons as:

Your premiums have been raised arbitrarily
Your claim is not being dealt with fairly
You have been denied renewal or canceled unfairly
You just want help in finding the best insurance coverage available in your area

REMEMBER: AUTO INSURANCE IS PROBABLY THE FIRST INSURANCE YOU WILL BUY, AND IT MAY WELL BE THE MOST IMPORTANT INSURANCE YOU EVER BUY.

CHOOSE AUTO INSURANCE WITH CARE BY REMEMBERING THE 3 C's WHEN SHOPPING: Coverage, Cost, Company.



2. What is Auto Insurance?

1. Basic auto policy coverage includes:

- | | |
|-------------------|------------------------|
| (1) BODILY INJURY | (4) MEDICAL PAYMENTS |
| (2) COLLISION | (5) PROPERTY DAMAGE |
| (3) COMPREHENSIVE | (6) UNINSURED MOTORIST |

Write the number for each type of coverage necessary in order to insure against the following risks:

- _____ fire or theft
- _____ damage to another person's car
- _____ injury or death of a person riding in your car
- _____ destruction of a fence
- _____ injury caused by a driver with no liability insurance
- _____ damage to your own car when you collide with another car
- _____ injury to another driver

2. Check only those personal factors which make a difference in the premiums paid for certain types of insurance:

- | | |
|----------------------|--|
| _____ Age and sex | _____ Reputation for courtesy |
| _____ Driving record | _____ An outstanding scholastic record |

3. True or false:

_____ The three C's of auto insurance shopping are coverage, cost, and company.

4. "\$100 deductible" means

- A. \$100 deducted from premiums
- B. insurance company pays repair costs up to \$100
- C. owner pays repair costs up to \$100
- D. deduct \$100 on your income tax return

5. In a "Split Liability Limit" policy with 15/30/10 coverage, the insurance company would pay up to

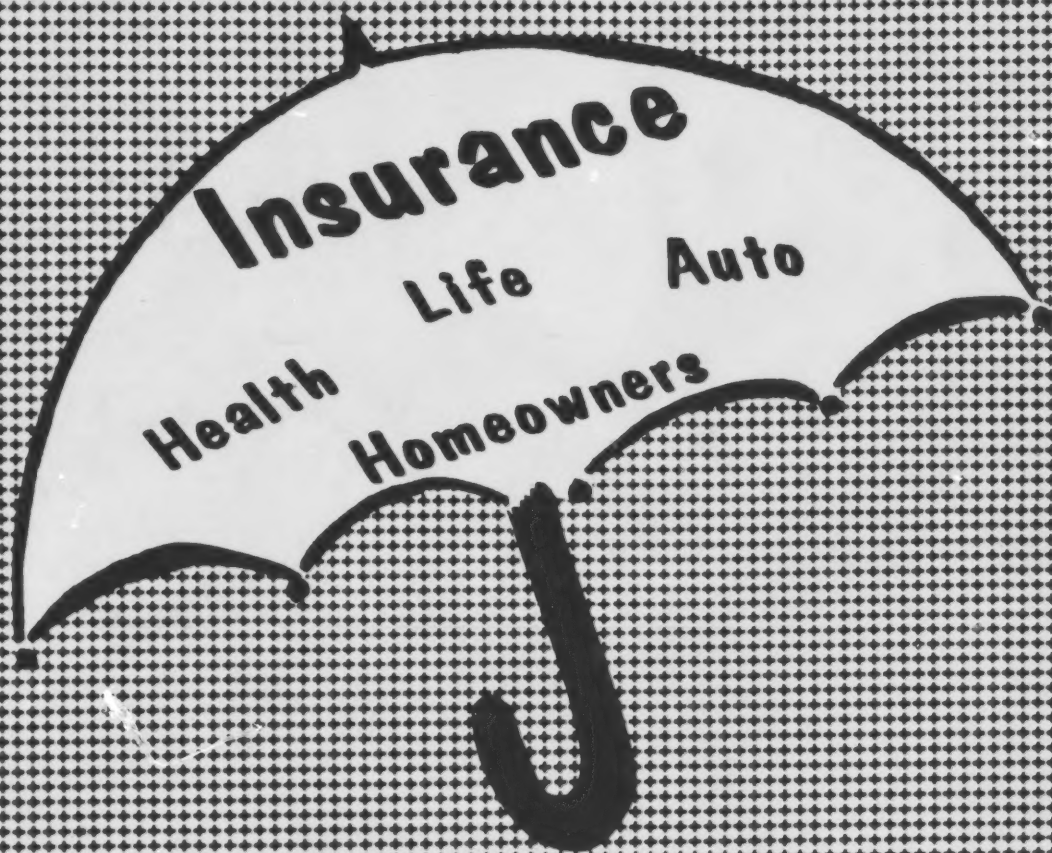
- _____ for any one person injured in an accident
- _____ for all persons injured in that same accident
- _____ for damages to others' cars or property

6. Find the premium for an auto policy offering a 10% driver-training discount and a 25% good-student discount if the insurance cost was quoted as \$225.50 before any discounts were applied. _____

Find the amount of damage the insurance company would pay in each of the following situations:

- 7. \$10,000 property damage insurance, \$13,500 damage _____
- 8. \$100-deductible collision, \$75 damage _____
- 9. \$50-deductible collision, \$500 damage _____
- 10. 15/30 bodily injury liability insurance, first person awarded \$16,000; others awarded \$4000, \$8000, 6000. _____

Examine your own auto insurance policy or a policy owned by an insured driver. Read and discuss the coverage with your agent, friends, and other agents.



3. What is Life Insurance?



passwords ...

3. What is Life Insurance?

ANNUITY

An insurance contract under which you pay the life insurance company a given sum of money and receive in return a regular (usually monthly) income for the remainder of your life

ASSETS

Personal property, including money

BENEFITS

Payments made by an insurance company, public agency, welfare society, etc.

CASH VALUE

Amount of money for which the policy may be cashed in or borrowed against before it becomes payable by death or maturity

CONVERTIBLE TERM

Term insurance which can be exchanged, at the option of the policyholder and without evidence of insurability, for another plan of insurance.

CREDIT LIFE

Life insurance providing for full payment of a loan in the event the borrower dies

DEBIT/INDUSTRIAL LIFE INSURANCE

Life insurance with a small face value sold door-to-door for which premiums are collected weekly or monthly, also door-to-door

DECREASING TERM

Type of term insurance in which the amount of insurance declines from year to year while the premium remains the same.

ENDOWMENT

Insurance in which the face value is payable at maturity to the policyholder if he is still living, or to his beneficiary if he dies before the policy matures

LIMITED PAYMENT

Whole life insurance on which premiums are fully paid in a limited, specified number of years

MATURITY

Date when the face value of a policy becomes payable

OPTION

Choice

RENEWABLE
TERM

Term insurance which can be renewed at the end of the term, at the option of the policyholder and without evidence of insurability, for a limited number of successive terms.

STRAIGHT LIFE

Ordinary or whole life insurance on which premiums are payable during the policyholder's entire life

TERM

Insurance which remains in force for a limited, specified period of time

WAIVER

Giving up or relinquishing a right, claim or privilege

WHOLE LIFE

Type of insurance which pays a lump-sum benefit in the event of the death of the policyholder and also builds up a cash value based on the premiums paid

Ready to Move On ?

Do You Know the Passwords ?

What is Life Insurance?



LIFE INSURANCE is at least 2,000 years old.

There is a LIFE INSURANCE policy for almost every need and every family budget.

80% of the adult population in the United States owns some form of LIFE INSURANCE.³⁷

\$34 billion is spent annually for LIFE INSURANCE premiums.⁴²

But . . .

Life insurance is too often an item widely purchased, but not very well understood. Far too many consumers have inadequate insurance programs to meet their needs. Attitudes about life insurance include the following:

"Life insurance? The thought of it scares me to death!"

"Everyone needs life insurance."

"Most people understand life insurance and how it works."

"Most people buy the wrong kind of insurance."

"Only people with dependents need to have life insurance."

With which of these attitudes do you agree? Put a check mark beside the ones you think are correct and then review them when you finish studying this section.

What is Life Insurance? will look at the following important life insurance questions:

<i>Why Buy?</i>	The need for life insurance
<i>What Type?</i>	The type of insurance to fit your needs
<i>How Much?</i>	The amount of insurance you can afford
<i>Where?</i>	Who should insure you



Why Buy?



SAVINGS

GIFTS

ESTATE
FAMILY SUPPORT

Life insurance has as its main purpose an *instant estate* in the event of the death of the insured. Basically, life insurance is a contract stating that if the insured dies while the policy is in force, someone (*the beneficiaries*) will receive a specified amount of money. What is being insured is the future ability to provide for those dependent upon the insured.

Other purposes for which life insurance policies are bought include savings, retirement, estates, tax shelters, mortgage-free homes, emergency funds, and college educations for children.

One great mystery of life is the length of it. When you pay your premium you are betting that you will outlive the average American of your age and sex. You have at least a 70% chance of winning that bet.

Wisely used, life insurance can be an important part of family money management and should be a key item in the well-planned family budget.

YOU probably *don't* need life insurance if you:⁴⁹

have no children or dependent relatives;

have a wife who is working or who is capable of returning to work tomorrow;

are in the maximum Social Security bracket;

are employed by a company providing a good-sized pension when you retire, with adequate benefits to your wife when you die;

have fairly comfortable savings or other assets;

put money in safe and high-yielding investments offering a bigger return than a life insurance policy.

Few breadwinners meet all these qualifications, and find themselves in one of the following classifications with life insurance needs:

A childless couple with a nonworking wife with few or no marketable skills.

A single man or woman with dependent parents.

A single man or woman with dependent children.

A couple with dependent children.

What Type?



The key question for most life insurance consumers is, indeed, "What type?"

How many types of life insurance are there? What coverage does each type offer? What type is best for me? are all basic questions each consumer must answer for himself before he begins paying premiums, perhaps for the rest of his life.

The rest of your life? That thought alone should cause the wise consumer to stop (at least for a moment) and give life insurance purchasing some thought. How many other purchases do you make, knowing you will continue to make those payments, perhaps, *FOREVER?*

Life insurance can be conveniently grouped in four classifications:

- | | |
|----------------------|--------------------------|
| 1. ORDINARY | 2. GROUP |
| a. Term | |
| b. Whole Life | 3. INDUSTRIAL |
| c. Limited Payment | |
| d. Endowment | 4. CREDIT LIFE INSURANCE |
| e. Annuity | |
| f. Combination plans | |

1. ORDINARY

a. Term insurance offers temporary insurance in the form of pure protection. Like all life insurance, this type of insurance is designed to pay the beneficiary a specific amount of money in the event the policyholder dies. But, the insured must die before the policy expires if the beneficiary is to collect.

This type of policy is often recommended for young people who want protection, but cannot afford the larger premiums of policies with savings values.

Convertible term and *renewable term* options are important considerations for consumers purchasing **TERM** insurance. For an additional premium, the insured can either convert his insurance to another type of insurance or renew his insurance without proof of insurability.

b. Whole

Life insurance, also called "straight life" or "ordinary life", offers protection during the *WHOLE LIFE* of the policyholder is a plan of both protection and savings. The premiums remain the same instead of increasing as is the case in term insurance.

A whole life policy pays a lump-sum benefit and builds up a cash value based on the premiums paid. Premiums are payable either (1) during the entire life (straight life) of the policy, or (2) over a limited number of years (limited-payment life).

Whole life insurance builds up what is known as a **CASH VALUE** which increases with each premium payment. Cash value is the amount paid to the policyholder who gives up or "surrenders" his policy. This cash value may also be borrowed against if needed. A table in each policy shows the cash value from year to year.

Many consumers choose **WHOLE LIFE** policies because of the cash value feature. Consumers choosing **TERM** policies often prefer to invest their surplus premium dollars in other types of savings accounts. They point out that the typical interest rate paid on the savings in whole life insurance policies is much lower than that of other savings plans.

One consideration in choosing term or whole life coverage is what is going to happen to the consumer. There are only three possibilities:

- (1) live until retirement and save money
- (2) live until retirement, but not save money
- (3) not live until retirement.



Most people believe that number one is going to happen. But for most consumers statistics show that number two is more nearly correct. The possibility of number three can't be ignored, however. The consumer needs to consider an insurance plan which will counteract the problems brought on by both numbers two and three.

Comparisons of policies should be based on the variables including the duration of the insurance, the premium schedule, the face value of the policies, the savings accumulation, and the risk carried. Think of these variables as you compare the features of *TERM* and *WHOLE LIFE* insurance:

	
<i>TERM</i>	<i>WHOLE LIFE</i>
Limited term--usually 5-10 years Usually not continued beyond age 65 or 70	Never expires
Premiums increase	Level premiums
Most protection for premium dollar	Convenient savings
Pure protection	Protection plus cash value

"Buy term and save the difference" and "Whole life is 'told and sold' rather than 'sought and bought'" are often heard by the consumer weighing the pros and cons of whole life and term insurance. Unfortunately, there is no *best policy*--what is good in one situation may be unsuitable in another. The consumer must make the decision for himself after identifying his personal values and goals and matching his needs to what various insurance plans have to offer.

In addition to term and whole life insurance coverage, there are at least four other specific types of insurance about which the consumer should be informed: *LIMITED PAYMENT*, *ENDOWMENT*, *ANNUITY CONTRACTS*, and *CREDIT LIFE INSURANCE*. Note the special features of each and in what situations each type of insurance would be an appropriate consumer choice.

Limited Payment



life insurance is whole life insurance with a special payment plan. Payments are not made over a lifetime, but are compressed into a short period of time. Premiums are of course higher, but time for payment is shorter and the cash value grows more quickly.

This type of insurance is recommended for those who earn a great deal of money in a short period of time such as athletes or entertainers, or any others who wish to have all their insurance obligations paid before they retire.



Endowment

policies are a savings plan with the added benefit of protection in case of death. The face value of the policy is paid to the insured at the end of a specified period of time. If the policyholder does not live to collect, the beneficiary collects.

Because the premium is high, this type of plan is usually chosen only by those who have already met all their regular family protection needs. Endowments are for those who are afraid they'll outlive their earning capacity rather than for those who fear they will die before their families are provided for.

Endowment policies for children were popular in the past. But since the interest earned is small, many consumers now feel such money should be invested in other types of savings accounts. Once again, it's up to the consumer to decide.



Annuity

contracts are plans in which the insurance company is paid a given sum of money so that the policyholder may receive a regular (usually monthly) income for the remainder of his life.

Combination

Most consumers choose a *COMBINATION* of types of insurance, usually combining *TERM* insurance with one or more other types. These combinations usually offer reasonably good protection for a relatively small premium. An insurance agent can assist each individual in planning the best type of insurance program to meet his needs.

2. GROUP

GROUP insurance plans cover a minimum number of employees, usually having the same employer, under one master contract. This type of insurance may be paid for partially or completely by the employer and is usually less expensive than an individual policy. "Go group" is usually good advice for the dollar-conscious consumer because it is almost always less expensive.

3. INDUSTRIAL

Appealing to the low income consumer because the premiums are small and easy to make, *industrial life insurance* or *debit insurance* is the insurance "that preys on the poor."³⁴

Insurance coverage in small amounts is not easy to buy. Most policies have \$3000 to \$10,000 minimum face amounts. Industrial policies are available in amounts of \$2000 or less with the average about \$700. Premiums are due weekly and are collected in person.

If persons with little money to spend on insurance need to buy insurance in small amounts, and industrial life policies are the only ones available, what is so unfair about the practice? Read on:

A mother buys a \$1000 insurance policy for her 12-year-old son. She pays in her \$3.61 a month because she "wants to do something" for her son. If he decides to go to college in ten years, the policy will pay less than \$200 toward his education although his mother will have paid in \$433. If he decides to cash in the policy in 20 years, he will get less than \$400 although his mother will have paid in \$866.



A 79-year-old lady who lives on welfare benefits of less than \$200 per month paid 56% of her income on a series of small insurance policies from five different companies. She often went without food to make the insurance payments.

A father owns 18 small life- and health- insurance policies, all with the same company, most of the policies being on the lives of his two children. His premiums total more than \$400 a year. His own life is insured for \$1000. If he were hospitalized, he would qualify for benefits of \$25 per day.



Agents selling debit insurance often rush to the homes of new babies, offering policies to "guarantee the financial future" of the baby.

One Eastern insurance regulator stated, "You can talk about people paying \$700 for a \$500 policy. Well, that's probably true. But if these people didn't have any insurance at all, they might have no money to pay burial costs."⁴⁸

The fact that so many policies lapse (coverage ends because of non-payment of premiums), indicates that something must be wrong with such a system. Two of the greatest criticisms are of deceptive practices used in "overloading" or selling a family several small policies when one larger policy might provide better coverage at lower cost.⁴⁸

Industrial policies are cash-value policies and one of the poorest choices of insurance coverage. Consumers with limited incomes should explore other policies available in face amounts as small as \$3000 for which payments can often be made by mail.⁴⁸

According to one FTC report, there are more than 100 billion debit policies in force in the U.S. That amounts to about one for every two people. Debit premiums are estimated at \$3 billion a year. Poor and minority consumers who purchase "industrial" life insurance are frequently spending their money on expensive policies of little value--policies into which they pay more than they can ever get back in benefits.⁴⁸

4. CREDIT LIFE INSURANCE

Credit life insurance provides for the payment of a specific debt in the event of the death of the policyholder. It is therefore another type of term insurance.

Premiums are high for this type of coverage. Such protection is unnecessary for the consumer with an adequate life insurance plan. It is often encouraged by those providing credit, however.

A LIFE INSURANCE PROGRAM PROVIDES YOU AND YOUR FAMILY WITH FUTURE SECURITY.

IN ORDER TO HAVE THAT FUTURE SECURITY, YOU HAVE TO GIVE UP SOMETHING TODAY.

THAT SOMETHING IS THE PREMIUM WHICH MUST BE PAID PERIODICALLY.

Many options are available to the consumer even after he has made a decision as to which type of life insurance coverage he wishes to purchase. The consumer who knows these options is better prepared to make decisions about which options offer the greatest benefit to him. Options concerning the *TYPE OF POLICY*, *SETTLEMENT OPTIONS*, *PREMIUM PAYMENTS*, *GUARANTEED INSURABILITY*, *WAIVER OF PREMIUMS*, and *DOUBLE OR TRIPLE INDEMNITY* include:

Type of life insurance policy:

Individual insurance, covering only the breadwinner
Family policy
Group insurance
Pension and retirement plan

Settlement options:

Payment in one lump sum
Fixed amounts paid periodically
Life annuity
Choice of beneficiary

Premium payments:

Annually
Quarterly
Monthly

Guaranteed insurability-- more insurance can be purchased in the future regardless of unforeseen medical problems.

Waiver of premiums-- coverage will continue if the policyholder is disabled for six months or longer and is unable to pay premiums.



Double or triple indemnity -- two or three times the face value of the policy will be paid in the event of accidental death.

Ask about which options are available in your policies and determine which, if any are necessary for you. Some options are available only through additional fees, others do not increase your premium.



How Much?

NOBODY CAN CARRY ENOUGH LIFE INSURANCE

Discouraging?? Yes, but probably all too true for most young consumers. It would be nice to be able to provide for dependents at the same level they had been used to. But, the premiums for such a program will not fit most budgets. Adequate coverage can be budgeted, however, with care and the use of a few simple guidelines. An analysis of family needs and resources is all it takes. Let's see how it works.

GUESSTIMATE YOUR LIFE INSURANCE NEEDS by answering 10 key questions:



1. How much income would your family need if you were no longer living?
2. What are your assets?
3. How much would your family receive in Social Security benefits?
4. What other sources of income would your family have?
5. Are you covered by group life insurance?
6. Will other family members have income of their own?
7. Is your home mortgaged?
8. What are your children's educational needs?
9. What large outstanding debts do you have?
10. What would be the immediate cash needs of your family?

Answering these questions will give you a picture of your needs and assets. The difference between these two totals will answer your "How Much Do I Need?" question.

In this area as in all areas of your insurance program, a competent agent can be of great help.

If you are looking for a rule of thumb, the insurance industry has suggested four to five times a family's annual income. More specifically, a family with a typical annual income of \$10,000 needs a total of \$40,000 to \$50,000 of life insurance. By careful shopping this amount of coverage should be available for about 5% of your salary.

The exact amount the consumer must pay for his insurance is based on two factors--the type of insurance he chooses to buy, and certain personal characteristics of the consumer himself.

As we have already seen, *TERM* insurance requires the lowest premium payment because *WHOLE LIFE* policies include a cash value feature. The specialties, *LIMITED PAYMENT*, and the *ENDOWMENTS* and *ANNUITIES* also offered by life insurance companies, require the highest premiums.

Compare the costs for \$1,000 of coverage, bought at age 18:

TERM:	\$ 5.00
WHOLE LIFE:	\$10.00
LIMITED PAYMENT:	\$18.00
ENDOWMENT:	\$42.00



One factor affecting the size of premiums is *risk*. Two consumers may purchase duplicate coverage for their families, but have a great difference in the size of their premiums. The insurance industry is interested in the policyholder's *AGE*, *SEX* (*women live longer than men*), *HEALTH*, and *OCCUPATION*. Each of these factors helps determine how great the risk of death to the policyholder might be--the chance that the insurance company will have to pay the policy's benefits. This is the reason for the required health examination to qualify for many policies. The father who is a doctor is much less of a risk than the father who is a commercial pilot. Therefore, *AGE*, *SEX*, *HEALTH*, and *OCCUPATION* are important rating factors for the life insurance industry.



Where?



Even after making all the important and difficult decisions about the *need* for insurance, what *type* you need, and *how much* you can afford while getting the best insurance buy, there is one further consideration. Be a wise shopper in choosing the company to handle your life insurance.

There are more than 1800 insurance companies selling thousands of different policies. The consumer needs to be aware of some facts about the company from which he is considering purchasing insurance.

First, be sure the company is registered to sell insurance in your state. This is especially important when considering mail-order insurance. Insurance issued through the mail should always be purchased only after careful checking of all claims. Some firms use terms to lead the consumer to believe the insurance offered is endorsed by the Federal government. Examples are "*low-cost Military Life Insurance Policy*" or "*Special Armed Forces Policy*".

Next, check the rating given in *BEST'S INSURANCE REPORTS*, available in the public library. Each listed company is rated for (1) competent underwriting, (2) cost control & efficient management, (3) adequate reserves for liabilities, and (4) net resources. A life insurance company's rating is a strong indicator of the type of service and coverage a consumer purchasing a policy from them can expect.

Also check with other insurance consumers. It has been suggested that one of the best sources of insurance advice might well be someone who is approaching retirement. Ask that person what changes he would make in his insurance program planning if he could go back 30 years and start his planning all over.



Don't forget your own state's office of the Insurance Commissioner. He regulates the insurance industry in your state. The examination and licensing of personnel, insurance rates and policy provisions, insurance complaints and public relations are all concerns of his office.





3. What is Life Insurance?

Think about what you read in the *Why Buy?*, *What Type?*, *How Much?* and *Where?* sections you just finished.

Then complete the five review questions below:

Circle the letter of the correct answer:

1. ALL types of life insurance provide
 - A. cash benefits if the policyholder dies
 - B. cash surrender value
 - C. forced savings for the policyholder
 - D. low interest loan and conversion rights
2. The two basic types of life insurance are
 - A. Term
 - B. Whole LifeWrite the letter of the type which fits each description:

- _____ Greater coverage for premium paid
- _____ Premiums payable for life
- _____ Has a loan value
- _____ Has no cash value
- _____ Form of permanent life insurance

Circle the letter of the correct answer:

3. Mr. Thought Full is 35, his wife is 30, and they have two young children. If he makes \$20,000 a year, the amount of life insurance it is suggested he should own is

- A. \$10,000
- B. \$25,000

- C. \$100,000
- D. \$250,000

4.

T

F

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—

A good reason for having life insurance is that it provides cash when it is needed for expenses associated with the death of the breadwinner.

—

—

A written contract between an insurance company and the person buying the insurance is called a policy.

—

—

The insured is the person or persons named in the policy to receive policy benefits.

—

—

A beneficiary is that person on whose life the policy is written.

—

—

You can borrow on all life insurance policies.

—

—

A provision in a life insurance policy which says the premium will not have to be paid if the policyholder is disabled for at least six months is called a waiver of premium.

—

—

The cash value of a policy is the amount of money which may be borrowed against or which would be received if the policyholder cancelled his policy.

—

—

Term insurance has a steadily increasing cash value.

—

—

Factors included in determining the premium for a life insurance policy are age, sex, health & occupation.

—

—

All types of life insurance require that premiums be paid until the policyholder dies.

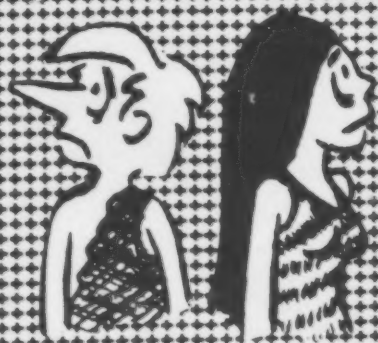
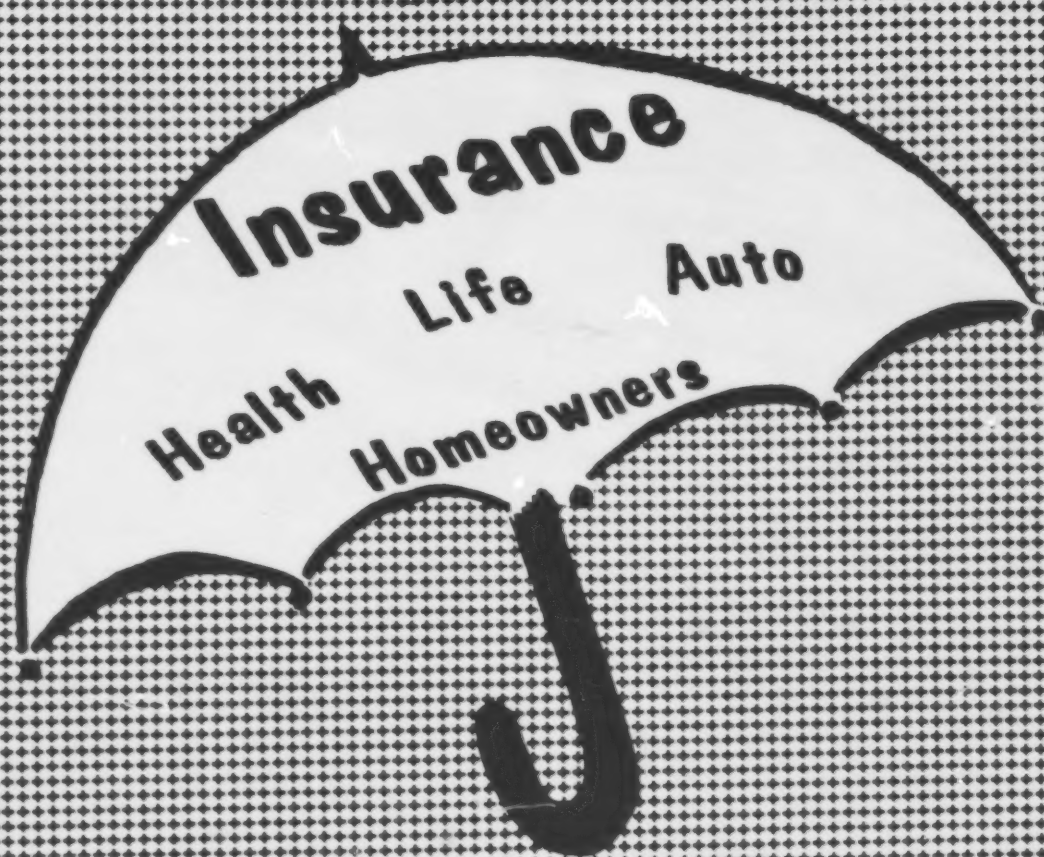


5. Choose the best general guides for anyone buying any type of life insurance.

Cross out the 5 which do not belong in this list.



- A. Select a reliable insurance agent.
- B. If possible, pay the premium once a year.
- C. Buy a good first policy so you won't ever have to change it.
- D. Look at many policies before you buy your policy.
- E. Buy a large policy (at least \$50,000) so your family will be well-protected.
- F. Choose the policy providing the greatest protection for the premium dollar.
- G. Don't name more than one beneficiary in your policy.
- H. Don't drop your policy to buy a cheaper one.
- I. Weekly insurance payments are cheaper than annual or semiannual payments.



**4. What is
Health Insurance?**



passwords ...

4. What is Health Insurance?

BASIC COVERAGE

Insurance protection which includes hospital expenses, surgical expenses, and regular medical expenses

CATASTROPHIC ILLNESS COVERAGE

Major-medical coverage (usually over \$25,000) which continues protection after basic coverage ends

CO-INSURANCE

*A policy provision in which the insured and the insurance company share costs
Typically, the insurer pays 80-90%, the insured pays the rest*

COMPREHENSIVE COVERAGE

*A policy designed to give the protection offered by both a basic and a major medical health insurance policy
Features include a low deductible amount, co-insurance, and high maximum benefits*

CONVERTIBLE

A policy provision which allows exchange for a different type of coverage

DEDUCTIBLE

The share of expenses which the insured must pay before the insurance company starts paying

DENTAL INSURANCE

*A policy designed to cover the costs of fillings, extractions, dentures, oral surgery, orthodontic work and most other dental expenses for regular dental care as well as damage caused by accidents
Features include deductibles, co-insurance and limitations*

DISABILITY OR
LOSS OF INCOME

The form of health insurance which provides periodic payments to replace income when the insured is unable to work as a result of illness, injury or disease

EXCLUSIONS

Specific conditions or hazards listed in the policy for which the policy will not provide benefit payments

FIXED BENEFITS

Specific, stated limits of coverage

HOSPITAL EXPENSE

Insurance covering daily charges for hospital room and board and certain hospital expenses, such as the cost of the operating room

HMO

*Health Maintenance Organizations
Comprehensive, prepaid group-practice medical care plans*

INSURANCE
COMMISSIONER

The state officer who regulates the insurance industry in each state

LIMITATION

The maximum amount the insurance company will pay

MAJOR MEDICAL

*The coverage which provides protection against the expenses of a catastrophic or lengthy injury or illness
It usually pays 80-90% of physicians' and hospital bills, after a deductible amount has been paid by the insured, up to the stated maximum of the policy.*

PRE-EXISTING
CONDITION

Physical condition of the insured that existed before the policy was issued

REASONABLE AND
CUSTOMARY FEES

Coverage which bases the insurance company's payment on the regular charges rather than on a fixed-benefit limit

REGULAR MEDICAL EXPENSES

Coverage which provides benefits toward the cost of such services as doctor fees for nonsurgical care in the hospital, at home, or in a physician's office

RENEWABLE

Provision whereby the insured can purchase coverage without being required to pass a medical exam

SURGICAL EXPENSES

Benefits to help pay surgeons' fees and other costs of surgical procedures

WAITING PERIOD

Length of time which must elapse between the time the policy is issued and coverage begins

Ready to Move On ?

Do You Know the Passwords ?

5/28/86

What is Health Insurance?



Americans are spending more than \$170 billion a year on health care. That's an average of nearly \$800 per person. Yet, Americans are dying for the lack of proper medical attention. Middle income families can be ruined by medical bills even when they carry insurance. A study in Connecticut, for example, revealed that 50 percent of the personal bankruptcy cases in a two-month period last year resulted from disabilities.

One out of every seven persons in the United States will be hospitalized during 1979, and the average hospital stay will be eight days.²



The teenager might well ask, "What does all this have to do with me? I probably do need auto insurance, and life insurance does have possibilities, but HEALTH insurance??? I've never been sick a day in my life, and besides, I am covered in my folks' policy and my employer will probably offer some kind of health insurance plan."



In this area, too, though, it is important to be informed.

According to Herbert Denenberg, former Pennsylvania Insurance Commissioner, "Health insurance comes in more sizes, styles and prices than almost any other type of insurance. The benefits, options and exclusions are almost uniformly non-uniform. Comparing various health insurance policies is always difficult and sometimes next to impossible."¹⁴

But because getting sick and then getting well is so expensive in the United States, the real question might be:

*CAN YOU AFFORD **NOT** TO HAVE
HEALTH INSURANCE ???*

With the way medical costs are soaring, most consumers are subject to a relapse from just seeing the doctor or hospital bill. Because of the heavy toll of ordinary illness and the horrendous expense of major sickness, some sort of protection is a MUST.



To determine your own need for health insurance, consider the following questions:

Have you been able to pay for all "ordinary medical and health expenses this year without too much difficulty?

What are hospital and medical costs in your area?

Do you qualify for any free or low-cost medical treatment?

Can you afford to pay the costs of a major accident or prolonged illness?

What expenses would have to be met if you were disabled and unable to work for an extended period of time?

The purpose of health insurance is to insure against financial disaster in the event of accident or illness. Health insurance offers protection from high medical costs and loss of income. Coverage has been classified into seven categories:

- | | |
|-----------------------------|---------------------------------|
| 1. HOSPITAL EXPENSES | 5. COMPREHENSIVE COVERAGE |
| 2. SURGICAL EXPENSES | 6. DISABILITY OR LOSS OF INCOME |
| 3. REGULAR MEDICAL EXPENSES | 7. DENTAL INSURANCE |
| 4. MAJOR MEDICAL EXPENSES | |

Health insurance can protect the consumer by:

***PAYING SOME OR ALL OF THE MEDICAL COSTS
DUE TO ILLNESS OR INJURY***

***REPLACING INCOME LOST
DUE TO ILLNESS OR INJURY***

Your medical expenses can be classified into four groups: minor expenses, major medical expenses, hospital charges, and catastrophic illness expenses. Health insurance could, perhaps, be thought of as a "sickness insurance" since it will not pay the expenses of keeping well such as the cost of a regular checkup; a diagnostic work-up, or any test which may prevent you from developing a serious condition.

The cost of your medical treatment may also be classified in four layers. Using this classification, the consumer may find it easier to determine what type of coverage his family needs.

LAYER	DOLLARS
1. Visits to doctors, etc.	10s
2. "Basic Protection"- hospitals, surgeons, & doctors' bills	100s
3. "Major Medical" (extends basic coverage with out-of-hospital costs, etc.)	1000s
4. Catastrophic illness expenses	Unlimited



Many consumers find it possible to handle the expenses of the first layer; and perhaps even the second. Layers 3 and 4, which begin in the thousands of dollars and go up from there, could prove real financial disasters. The consumer wishes to protect himself from these possible expenses.

Coverage that can keep medical disasters from becoming financial disasters should include both *BASIC* and *MAJOR MEDICAL* coverage. Many consumers also choose catastrophic illness protection.

BASIC COVERAGE includes hospital expenses, surgical expenses, and regular medical expenses:

hospital expense Covers hospital room & board, routine nursing care
Also lab tests, x-rays, medicines, operating room fees
Coverage is usually limited to a specific number of days

surgical expense Surgeon's fees for operations in hospital or doctor's office
Coverage is usually limited to a specific amount for each operation

**regular medical
expense**

Helps pay doctors' fees for nonsurgical care in a hospital, doctor's office or patient's home
Coverage is usually limited to a specified number of visits

major medical expense

MAJOR MEDICAL COVERAGE provides protection against costs of serious and prolonged illness. Because it covers almost every type of care and treatment prescribed by a doctor, both in and out of a hospital, it is the coverage most consumers find absolutely necessary.

Because it offers such a wide range of benefits, major medical policies contain special features of deductibility, co-insurance, and limitations:

DEDUCTIBILITY FEATURE: The policyholder must pay the amount of the deductible.
The insurance will pay for expenses beyond it.
For example, if the policy is a \$50 deductible, the consumer must pay the first \$50 before the insurance begins payment.

CO-INSURANCE FEATURE:



The insurance and the policyholder split the costs remaining after the deductible.
Expressed as a percent, usually 80 or 90 percent, it means the company will pay 80 or 90 percent of the medical bill after the deductibility; the insured pays the deductible and either the 10 or 20 percent or the remainder according to the terms of the policy.

LIMITATIONS:

The maximum amount the insurance company will pay.
The limitation may be for one illness or for one year.

If you owned a \$50 deductible, 80% co-insurance, \$10,000 limit policy and had medical expenses of \$350, your figures would be:

Total bill	\$350.00	
\$50 deductible	-50.00	Company 80% of \$300 or \$240
Amount left to be paid	\$300.00	You 20% of \$300 or \$ 60

REMEMBER: You would pay a total of \$110 (\$50 deductible + \$60 co-insurance).

comprehensive coverage



COMPREHENSIVE COVERAGE is an inclusive medical plan that attempts to meet all health insurance needs in one package. Such plans usually cover hospital expenses, surgical expenses, regular medical expenses, and major medical expenses. Some plans even include loss of income or disability insurance. Comprehensive medical plans also feature deductibles and a co-insurance plan.

Each of the types of coverage above provide the first type of protection to the consumer:

PAYING SOME OR ALL OF THE MEDICAL COSTS DUE TO ILLNESS OR INJURY

disability or loss of income

REPLACING SOME OR ALL OF THE INCOME LOST DUE TO ILLNESS OR INJURY is the purpose of *DISABILITY* or *LOSS OF INCOME* insurance.

Disability insurance has two features:

Payment for loss of earnings from an accident

Payment for loss of earnings from sickness which prevents one from earning a living

This type of insurance may be even more important than life insurance for young people because the probability of death is much less than the probability of partial or total disability.



dental insurance

DENTAL INSURANCE is also a feature on some consumers' health insurance programs. Coverage includes fillings, extractions, dentures, oral surgery, orthodontic work and most other dental expenses for regular dental care as well as damage caused by accidents. Features include the deductible, co-insurance and limitations sections.

The three types of prepaid dental care plans available are *comprehensive deductible*, *scheduled fee plan* and *fixed fee plan*. The *comprehensive deductible* features a deductible for each family member each year with the co-insurance feature applied thereafter. The *scheduled fee plan* is the plan under which the insurer agrees to pay a fixed amount for each dental procedure. Under the *fixed fee plan*, dentists agree not to charge more than the listed fees.

HMO

A growing number of consumers in various parts of the country are now asking, "Is HMO the way to go?" as Health Maintenance Organizations become more popular as a means of staying well.

HMO's are characterized as "medical supermarkets." An HMO is an organized system that provides comprehensive health services to an enrolled group of individuals and families for a prepaid annual fee. Emphasis is on preventative care, outpatient services, continuity of care, and cost effectiveness.

Such stay-well services are another form of protection available to consumers. Further information is available from the HMO Hotline: 800/638-6686.



Where do I get it ?

Government and private programs are the two major sources of health insurance in the United States:

GOVERNMENT PROGRAMS are financed by our tax dollars and are administered by the federal and/or state government to benefit the poor (Medicaid), the elderly (Medicare), and the military (CHAMPUS).

These programs pay all or part of the medical expenses of these groups and are part of America's program to provide health care to the total population.

PRIVATE PROGRAMS are health insurance plans offered by private firms and designed to protect the policyholder in specific ways. The protection depends on the type of policy purchased. Plans can be purchased either on an individual or group basis. In an individual plan the policyholder pays the premium directly to the insurance company. In a group insurance plan one master contract covers a minimum number of employees, usually having the same employer. This type of insurance may be paid for partially or completely by the employer and is usually less expensive than an individual policy. Two of the largest of these private programs are BLUE CROSS and BLUE SHIELD.



What should I ask ?

Knowing what to ask about health insurance is even more important than knowing what coverage is available. The following list should prove a helpful guide in understanding coverage and policies which are carefully worded to give and deny certain benefits:

- What is the length and amount of coverage?*
- Which family members are covered?*
- When do the benefits start?*
- What are the pre-existing and other exclusion features?*
- Does the insurance apply outside of the community where you live?*
- Is the policy renewable and convertible?*
- Does the major medical maximum limit apply to each separate illness or injury rather than representing a total lifetime maximum payout?*
- Does the coverage apply to "reasonable and customary fees" rather than fixed-benefit amounts?*

Ask questions about the maximum coverage, exclusions, deductibles, other limits, and premiums. The answers you receive in these areas should aid in making shopping for health insurance somewhat easier. The informed consumer makes wiser purchases which more nearly meet his needs and his budget.



How can I cut costs?

Determining which health insurance program is the best buy may make bargain hunting in your favorite supermarket seem simple, but you can't afford not to shop around. Make sure that getting sick doesn't also make you poor.

Decide which health hazards are your greatest threat and cover these with insurance.

Among the factors determining the individual cost of health insurance are the company from which you buy, the size and age of your family, where you live, and where you work. Beyond these factors, however, you do have some control. Use the following check list:

MONEY SAVING TIPS

SHOP AROUND

There is a wide variety of coverages and rates. Talk to several agents.

GO GROUP

Check to see if you qualify for group coverage. The cost is usually 15 - 40% less than individual coverage.

Your coverage can't be canceled unless you leave the group.

A physical exam is not required.

Often pre-existing conditions do not disqualify you.

ILLNESS OR ACCIDENT ?

Some policies cover one or the other, but not both.

Check carefully. You may need both coverages.

PRE- EXISTING CONDITIONS?

Avoid policies that exclude too much.

Some companies search your medical history all the way back to birth; others limit their search to the past year.

This is an all-too-common loophole of mail-order type policies.

CHECK DEFINITIONS

Determine policy's use of terms.

If a "disability" is covered, is it total or partial disability?

WATCH WAITING PERIODS

When does coverage begin? A policy that does not begin paying until you have been hospitalized 10 days may not be a good buy.

CHECK LENGTH OF COVERAGE

A policy which pays a high amount, but only for a few days, won't be much protection in the event of a lengthy illness.

CHOOSE LARGE DEDUCTIBLES

Policies which pay all costs from the first dollar are very expensive.

Determine how much you can afford to pay yourself, then choose a policy with the highest deductible you can--the premiums will be less.

CHECK RENEWABILITY OPTIONS

Does the policy guarantee renewability, or can the company refuse?

Guaranteed renewability costs more, but may save you much more in the long run.

BE CAUTIOUS OF "DREAD DISEASE" POLICIES

"Dread disease" policies (ones which cover only cancer, for example) do not offer broad coverage.

Should you choose such coverage, be sure this is not the only health insurance you own.

Where can I get help ?



Additional health insurance information may be obtained from your insurance agent, one of the many insurance companies, your Blue Cross-Blue Shield representative, your physician, the local medical society, the Better Business Bureau, the State Insurance Commission, or the state or local consumer affairs offices. You can also write to:

THE AMERICAN MEDICAL ASSOCIATION
535 North Dearborn
Chicago, Ill. 60610

THE AMERICAN HOSPITAL ASSOCIATION
840 North Lake Shore Dr.
Chicago, Ill. 60611

COUNCIL OF BETTER BUSINESS BUREAUS
1150 17th St., N.W.
Washington D.C. 20036

BLUE CROSS ASSOCIATION
840 North Lake Shore Dr.
Chicago, Ill. 60611

GROUP HEALTH ASSOCIATION OF AMERICA, INC.
1717 Massachusetts Ave., N.W.
Washington, D.C. 20036

HEALTH INSURANCE INSTITUTE
277 Park Ave.
New York, N.Y. 10017

NATIONAL ASSOCIATION OF BLUE SHIELD PLANS
211 East Chicago Ave.
Chicago, Ill. 60611

NATIONAL ASSOCIATION OF DENTAL SERVICE PLANS
211 East Chicago Ave.
Chicago, Ill. 60611



Unlimited Cash Plan
Guarantees to Pay You
Cash from the Very First Day
up to **\$40.00**
A DAY
\$1,200.00 every 30 days

Cash paid direct to you or anyone you choose from the very first day of covered hospitalization.
Cash is available to any beneficiary from any other plan, even if paid or Medicare.
* For Medical, Hospital, convalescent expenses and V.A. Hospital.
** Policy sold and over
* Major Award

**YOU'RE NOT ALONE
MORE**

\$50.00 A DAY PLAN

CANCER
\$3000 A DAY
\$20000
EVERY 30 DAYS
FOR
SICKNESS!
ACCIDENTS!
MATERNITY!
50% INCREASED**



4. What is Health Insurance?

1. Name the two ways in which health insurance can protect the consumer. Insurance coverage helps by

Paying _____

Replacing _____

2. T F

The two major sources of health insurance in the United States are private programs and the government.

Group health insurance plans are usually more expensive than individual plans.

Premiums will be less for policies with high deductibles.

3. Label each description according to the type of coverage described:

Basic Coverage Comprehensive Coverage Disability or Loss of Income
Major Medical

_____ hospital, surgical, and regular medical expenses

- _____ protection against costs of serious and prolonged illness;
features deductibility, co-insurance, and limitations
- _____ protection offered by both basic & major medical health insurance in one package
- _____ periodic payments to replace income when the insured is unable to work as a result of illness, injury or disease

4. Determine your cost in the following situation:

You own a \$100 deductible, 90% co-insurance, \$25,000 limit health insurance policy.

Your medical costs as a result of a recent illness were \$3,500.

\$ _____
Your Cost





**5. What is
Homeowners
Insurance?**





passwords ... ●

5. What Is Homeowners Insurance?

BASIC COVERAGE

Homeowners policy providing coverage against loss or damage from fire & lightning, windstorm, hail, smoke, vandalism, theft, personal liability, medical payments, damage to the property of others, and the additional cost of living elsewhere while the insured damage to the home is being repaired.

BROAD COVERAGE

Coverage in addition to basic coverage for a wide range of other hazards

COMPREHENSIVE COVERAGE

"All risks" policy which insures against all perils except those listed as exceptions

HOMEOWNERS POLICY

Policy which combines protection against fire, theft, personal liability and other perils in a single contract

INFLATION GUARD

Endorsement which automatically increases coverage to allow for increases in property value

LOSS EXPERIENCE

Amount of money insurance companies have paid in claims

PERIL

Exposure to risk

PROPERTY INSURANCE

Insurance covering any type of property such as home, furniture, jewelry, and other personal belongings

RENTER'S INSURANCE

Insurance designed to cover the possessions of those renting a home or apartment

REPLACEMENT VALUE

The amount necessary to rebuild a house or replace household items

Ready to Move On ?

Do You Know the Passwords ?

What is Homeowners Insurance?



Property can be lost, stolen, damaged or destroyed.

You, members of your family, or your pets can be blamed for damage to property or injury to others.

*Each day more than 2,000 fires break out in American homes.
Annual fire losses total almost \$850 million.*



It is possible to insure against fire, theft, and any other real threats which exist in your region and your neighborhood. It is up to you to decide realistically which risks are a significant threat to your home and to buy coverage which is suitable for your own home.

One of the most important expenses of home ownership is homeowners insurance. Available in many forms--even to non-homeowners in the form of renter's insurance, it can protect the consumer against both *PROPERTY LOSS* and *LIABILITY*.

The consumer's first experience with homeowners insurance is usually when he buys his first home. Mortgage lenders insist, at the very minimum, that the consumer insure the house itself against damage from fire and lightning.

The "Homeowners" policy, introduced in the mid-50's combines all major types of coverage in a single insurance plan. The homeowners policy covers all of the following:

The home itself

Other structures on the property, such as garages or tool and storage sheds

Personal property, either on the premises or away from the premises

Living expenses should the home be damaged and you must live elsewhere during repairs

Personal liability and medical expense payments for accidents you may either cause or be responsible for

Homeowners policies are available in three basic forms: BASIC, BROAD, and COMPREHENSIVE.

BASIC covers the perils of:



fire or lightning
loss of endangered property
windstorm or hail
explosion
riot or civil commotion

aircraft damage to property
vehicle damage to property
smoke
vandalism & malicious mischief
theft
glass breakage

BROAD includes the above perils and:

falling objects
weight of ice, snow, sleet
damage caused by heating system, water, plumbing, air conditioning, appliance or wiring malfunction

COMPREHENSIVE coverage is the "all risks" policy which insures against all perils except those listed in the *List of Exceptions*. Exceptions include flood, earthquake, war, and nuclear attack.

Thus an "all risks" policy does not insure against all risks. It insures against all risks *except* those which are *excepted*.

It is important that the consumer know not only what risks are and are not covered by his insurance, but also how claims are paid. Too often the policyholder reads the policy only when it is necessary to make a claim.

One common provision of homeowners policies is the *replacement cost clause*. Under the provisions of such clauses, if the dwelling is insured for at least 80% of its replacement cost, the loss will be paid on a replacement cost basis, up to the limit of the policy.

If the dwelling is insured for less than 80% of replacement cost, the insured will share in any loss that occurs.

The purpose of this clause is to encourage the homeowner to keep his insurance limit current with the rising replacement cost of homes today.



Insurance claims on homeowners policies are based on the equation:

$$\frac{\text{AMOUNT CARRIED}}{\text{AMOUNT REQUIRED}} \times \text{AMOUNT OF LOSS} = \text{AMOUNT PAID}$$

Since insurance rates are based largely on risk and experience, those who live in areas where the crime rate is high, congestion is great, and the probability of accident or theft is greater than in other areas often have to pay excessively high premiums for their coverage.

The RATES charged for homeowners insurance are based on such factors as:

NUMBER & KINDS OF PERILS INSURED AGAINST

REPLACEMENT VALUE OF HOME

MATERIALS USED IN HOME CONSTRUCTION

LOSS EXPERIENCE IN AREA (CRIME RATE, ETC.)

AVAILABILITY OF FIRE FIGHTING SERVICES



One of the biggest improvements to be made in the area of homeowners insurance was *HOMEOWNERS 76*, now standard in all 50 states. It has added the following coverages: losses from credit card theft, forgery, and counterfeit money; tape decks, CB radios and other sound equipment not permanently installed; property of students living away from home; fire department charges connected with damages such as wind and lightning damage; debris removal; damage to grave markers; loss of earnings for court appearances in defense of a claim; and protection against claims for libel, false arrest and invasion of privacy. As in all areas of insurance, the consumer must decide which are the risks he wishes to protect against and for which he therefore wishes to pay the premium.

The consumer guidelines for homeowners insurance are much the same as for any other area--to make an intelligent, informed decision about what is best for the individual consumer. Ten special pointers for the homeowners insurance consumer suggest that he remember to:

10 P O I N T E R S

COMPARISON SHOP FOR FAVORABLE RATES

CHECK OUT THE COMPANY YOU ARE CONSIDERING

INQUIRE ABOUT SPECIAL RATES FOR HOMEOWNERS & AUTO POLICIES PURCHASED FROM THE SAME COMPANY

INSURE YOUR HOUSE FOR ITS FULL REPLACEMENT VALUE

LOOK FOR CO-INSURANCE WITH A DEDUCTIBLE

CHOOSE A HIGH DEDUCTIBLE FOR A LOWER PREMIUM

PURCHASE THE "INFLATION GUARD" ENDORSEMENT TO AUTOMATICALLY INCREASE YOUR COVERAGE

INCREASE THE SAFETY OF YOUR HOME

INVENTORY PERSONAL PROPERTY BY TAKING PICTURES WHICH ARE STORED IN SAFE DEPOSIT BOX

INSURE PERSONAL PROPERTY EVEN IF YOU ARE NOT A HOMEOWNER

76 145

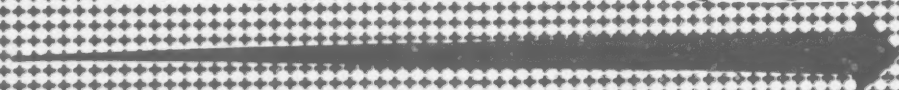


5. What is Homeowners Insurance?

- | T | F | |
|-----|-----|--|
| ___ | ___ | 1. Homeowners policies protect against property loss and liability. |
| ___ | ___ | 2. Renters purchase insurance to protect their possessions. |
| ___ | ___ | 3. Homeowners insurance does not usually cover injuries to those living in the house because this protection is a feature of health insurance. |
| ___ | ___ | 4. Injuries to others on your property are not covered by homeowners insurance. |
| ___ | ___ | 5. Homeowners insurance rates are based on the characteristics of the home, the area in which the home is located, and the kind of coverage purchased. |
| ___ | ___ | 6. Homeowners insurance can cover the home itself, other structures on the property, personal property, living expenses during repair, and personal liability. |
| ___ | ___ | 7. The amount necessary to rebuild a house is called the loss experience. |
| ___ | ___ | 8. Comprehensive coverage is less expensive than broad coverage. |
| ___ | ___ | 9. Some insurance companies offer lower rates for those who buy auto insurance from the same company. |
| ___ | ___ | 10. It is important to check the financial standing and the claim paying procedures of companies you are considering for homeowners insurance. |



6. Remember . . .



Remember . . .



It is possible for you, too, to become a confident and secure insurance consumer if you remember to **CHOOSE WISELY**, **BUY CAREFULLY** and **USE WELL**.

* **CHOOSE WISELY**

Remember the 3 Right's of wise insurance shopping:

RIGHT AGENT

Choose the agent you feel comfortable with, & who is well trained, qualified, & competent.



RIGHT COMPANY

Check its financial standing & claims-paying history.

Be sure it is registered to sell insurance in your state.

RIGHT COVERAGE

Determine which risks you can handle yourself & which risks you need to cover.

Remember that you **CAN** find what you want.

* **BUY CAREFULLY**

DON'T RUSH -- Read everything.
Ask for a sample policy.

SHOP FOR THE "BEST BUY" -- Rates vary widely. You may save as much as 50%.

Check to see if you qualify for discounts -- safe driver, non-smoker, multi-policy, etc.

Go Group--if you qualify, it's almost always a better deal.

CHOOSE HIGH DEDUCTIBLES -- Your premiums will be lower.

PAY PREMIUMS ANNUALLY -- Save interest charges.



***USE WELL**

READ AND UNDERSTAND YOUR POLICY

A policy contains 5 parts:



THE REPRESENTATION (terms of the contract)

THE NAMED INSURED & BENEFICIARY

WHAT IS INSURED (conditions under which the policy will pay claims)

WHAT IS NOT INSURED

DUTIES & OBLIGATIONS (of both insurer and policyholder)

The company will do what is stated in the policy. Nothing more. Nothing less.

Remember: Insurance policies are legal contracts.

KEEP YOUR COVERAGE UP-TO-DATE

Keep your insurance company informed of your status.

Review your insurance program at least every two years.

STORE YOUR POLICY & INVENTORY RECORDS

Remember . . .

***3 POINTERS WHICH WILL HELP
IN UNDERSTANDING INSURANCE:***

- ★ AGE AND RESPONSIBILITIES DETERMINE INSURANCE NEEDS.
- ★ INSURANCE SECURITY IS AFFECTED BY INFLATION.
- ★ ALL-RISK INSURANCE IS A MYTH.

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SELF - EVALUATION



1. As you reflect upon your experiences using this PAL, what were the most important things you learned?

2. What were the most important things you learned about:
 - A. What insurance is?

 - B. Auto insurance?

 - C. Life insurance?

 - D. Health insurance?

 - E. Homeowners insurance?

3. What are the important consumer topics about which you would like to learn more?

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You have just completed studying one module of the SCAT curriculum. There may be other topics about which you wish to learn more. SCAT modules can help you acquire skills, concepts, and knowledge necessary to function as an informed and wise consumer in twelve areas.

HEALTH AND THE CONSUMER contains 6 units:

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FOOD SHOPPING:	Food for Your Brood
MEDICAL CARE:	Say Ahh!
PERSONAL GROOMING:	Ler's Face It!
PRODUCT SAFETY:	An Ounce of Prevention

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CREDIT:	Ch..a..r..ge!!!
INSURANCE:	It's Later Than You Think
TAXES:	An Offer You Can't Avoid

"\$KILLS FOR CONSUMERS APPLIED TODAY"

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